

Liquid Meta Capital Holdings Ltd.

Condensed Interim Financial Statements

February 28, 2022

(Expressed in U.S. dollars)

(unaudited)

Liquid Meta Capital Holdings Ltd.
Condensed Interim Statements of Financial Position
As at February 28, 2022 and May 31, 2021
(Expressed in U.S. dollars)
(Unaudited)

	Notes	As at February 28, 2022	As at May 31, 2021
		$	$
Assets			
Current			
Cash and cash equivalents		**9,562,900**	2,176,609
Due from broker	(10)	**4,705,265**	-
Amounts receivable		**1,515**	63
Digital currency inventory	(10)	**12,073,550**	6,676
Prepaid expenses		**212,000**	9,375
Total current assets		**26,555,230**	2,192,723
Non-current assets			
Equipment	(6)	**3,332**	2,799
Total non-current assets		**3,332**	2,799
Total assets		**26,558,562**	2,195,522
Liabilities			
Current			
Accounts payable and accrued liabilities		**270,055**	111,900
Digital assets sold short	(10)	**4,421,608**	-
Total liabilities		**4,691,663**	111,900
Shareholders' equity			
Share capital	(8)	**24,336,954**	2,129,031
Options reserve	(8)	**1,797,388**	83,410
Warrants reserve	(8)	**635,240**	36,786
Deficit		**(4,902,683)**	(165,605)
Total shareholders' equity		**21,866,899**	2,083,622
Total liabilities and shareholders' equity		**26,558,562**	2,195,522

Subsequent events (note 11)

These condensed interim financial statements were approved for issuance on April 13, 2022 by the Board of Directors and signed on its behalf by:

/s/ Jonathan Wiesblatt (signed)
CEO

/s/ Sendy Shorser (signed)
CFO

Liquid Meta Capital Holdings Ltd.
Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
For the three and nine months ended February 28, 2022 and 2021
(Expressed in U.S. dollars except for number of shares)
(Unaudited)

		For the three months ended February 28,		For the nine months ended February 28,	
	Notes	**2022**	**2021**	**2022**	**2021**
		$	**$**	**$**	**$**
Revenue		**1,108,946**	8,625	1,496,150	8,625
Direct costs		**22,079**	-	53,067	-
Loss on digital currency inventory and digital assets sold short	(9)	**(1,498,710)**	-	(1,586,139)	-
Net Revenue (Loss)		**(411,843)**		(143,056)	
Expenses					
Share-based compensation	(8)	**2,263,372**	-	2,355,905	-
Listing expenses	(5)	**1,251,234**		1,251,234	
Professional fees	(7)	**197,336**	-	305,535	-
Advertising, marketing and investor relations		**185,442**	-	200,933	-
General and administrative expenses	(7)	**187,134**		378,590	
Information technology		**30,946**	-	75,804	-
Research and development		**12,000**	-	25,167	-
Depreciation	(6)	**349**	-	854	-
		4,127,813	126	4,594,022	73
Net income (loss) and comprehensive income (loss)		**(4,539,656)**	8,499	(4,737,078)	8,552
Basic income (loss) per common share		**(0.09)**	-	(0.13)	-
Diluted income (loss) per common share		**(0.09)**	-	(0.12)	-
Weighted average number of common shares outstanding- basic		**49,887,732**	6,750,001	36,613,736	6,750,001
Weighted average number of common shares outstanding- diluted		**51,930,635**	6,750,001	38,079,264	6,750,001

The accompanying notes are integral to the condensed interim financial statements

Liquid Meta Capital Holdings Ltd.
Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the nine months ended February 28, 2022 and 2021
(Expressed in U.S. dollars except for number of shares)
(Unaudited)

	Notes	Share Capital		Reserves		Deficit	Total
		Number of shares	Amount	Options	Warrants		
		#	$	$	$	$	$
Balance at May 31, 2020		6,750,001	1	-	-	(54)	(53)
Net income and comprehensive income for the period		-	-	-	-	53	53
Balance at February 28, 2021		6,750,001	1	-	-	(1)	-

	Notes	Share Capital		`Reserves		Deficit	Total
		Number of shares	Amount	Options	Warrants		
		#	$	$	$	$	$
Balance at May 31, 2021		29,999,477	2,129,031	83,410	36,786	(165,605)	2,083,622
Shares issued in private placements	(8)	22,825,852	22,825,878	-	-	-	22,825,878
Shares issued for reverse takeover (RTO)	(5)	802,511	802,511	-	-	-	802,511
Warrants exercised	(8)	209,406	102,105	-	(43,473)	-	58,632
Share issuance cost		-	(1,522,571)	-	-	-	(1,522,571)
Share-based compensation	(8)	-	-	1,713,978	641,927	-	2,355,905
Net loss and comprehensive loss for the period		-	-	-	-	(4,737,078)	(4,737,078)
Balance at February 28, 2022	(8)	53,837,246	24,336,954	1,797,388	635,240	(4,902,683)	21,866,899

The accompanying notes are integral to the condensed interim financial statements

Liquid Meta Capital Holdings Ltd.
Condensed Interim Statements of Cash Flows
For the nine months ended February 28, 2022 and 2021
(Expressed in U.S. dollars)
(Unaudited)

	Notes	2022	2021
		$	$
OPERATING ACTIVITIES			
Net income (loss) for the period		**(4,737,078)**	8,552
Adjustments for non-cash items:			
Share-based compensation	(8)	**2,355,905**	-
Depreciation	(6)	**854**	-
Loss on digital currency inventory and digital assets sold short	(9)	**1,586,139**	-
Changes in non-cash working capital:			
Digital currency inventory		**(15,241,995)**	-
Amounts receivable		**(1,452)**	-
Due from broker	(10)	**(4,705,263)**	-
Digital assets sold short		**6,010,588**	-
Prepaid expenses		**(202,625)**	-
Accounts payable and accrued liabilities		**158,155**	-
Cash flows from (used in) operating activities		**(14,776,772)**	8,552
Investing Activities			
Purchase of equipment	(6)	**(1,387)**	-
Cash used in investing activities		**(1,387)**	-
Financing Activities			
Shares issued	(8)	**23,628,389**	-
Warrant exercise		**58,632**	
Share issuance cost		**(1,522,571)**	-
Cash flows from financing activities		**22,164,450**	-
Net increase in cash		**7,386,291**	8,552
Cash (bank overdraft), beginning of period		**2,176,609**	(54)
Cash, end of period		**9,562,900**	8,498

The accompanying notes are integral to the condensed interim financial statements

1. NATURE OF OPERATIONS

Liquid Meta Capital Holdings Ltd. ("Liquid Meta" or the "Company") was incorporated under the laws of British Columbia on January 6, 2020. The Company continues building proprietary software and tools to access, automate, and scale operations within the decentralized finance ("DeFi") segment of the cryptocurrency industry.

The Company's registered address is 700-401 West Georgia Street, Vancouver, British Columbia, V6B 5A1.

These condensed interim financial statements as at, and for the three and nine months-ended, February 28, 2022 were approved and authorized for issuance by the board of directors on April 11, 2022.

These condensed interim financial statements have not been reviewed by the company's auditors.

On December 17, 2021 the Company amalgamated with a shell company 1287413 B.C. Ltd. ("413") (the "Amalgamation") in order to effect a reverse takeover of "413" as part of a go public process (the "RTO"). The Amalgamation provided for a split (the "Share Split") of the Company's common shares of 2.5858 post-Amalgamation common shares for each pre-Amalgamation common share. The Share Split has been reflected in these financial statements retroactively.

On December 22, 2021 the Company's common shares were listed on the NEO Exchange Inc. under the symbol "LIQD".

COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. Its impact on global economies has been far-reaching and businesses around the world have had to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to business worldwide, resulting in an economic slowdown. Global stock markets have also experience great volatility and significant declines. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of the government and central bank responses, remains unclear at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim financial statements for the three and nine months ended February 28, 2022 have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*". Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those set out in note 3 "Significant accounting policies" of the Company's annual financial statements for the year ended May 31, 2021.

These condensed interim financial statements should be read in conjunction with the financial statements for the year ended May 31, 2021.

(b) Basis of measurement

The condensed interim financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments measured at fair value upon initial recognition. In addition, the condensed interim financial statements have been prepared using the accrual basis of accounting.

(c) Functional and presentation currency

These condensed interim financial statements are presented in United States dollars, which is the Company's functional and presentational currency.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) ***Business combination***

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date on which the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed as incurred to net loss.

Contingent consideration, if any, is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in net loss.

The Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date. Goodwill is initially recognized at cost as an asset and subsequently measured at cost less accumulated impairment. Goodwill is not amortized but is tested annually for impairment.

(b) ***Common control transactions***

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same parties, both before and after the business combination, and control is not transitory. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. IFRS provides no guidance on the accounting for these types

of transactions. As a result, the Company was required to develop an accounting policy. The three most common methods utilized are the acquisition method, the predecessor values since inception method, and the predecessor values from the date of transaction method. The Company determined that the predecessor carrying value from date of transaction method to account for common control transactions is the most appropriate. This method requires the consolidated financial statements to be prepared using the predecessor carrying values without an adjustment to fair value. The consideration given is measured based on the aggregate carrying value of the assets and liabilities acquired. Transaction costs associated with common control transactions are recognized as an expense in the period.

(c) Cash and cash equivalents

Cash and cash equivalents include all cash on demand and all highly liquid investments with a maturity of three months or less, at the time of purchase, net of bank overdraft. Cash and cash equivalents also include amounts on deposit with fiat to cryptocurrency exchanges used in daily transactions.

(d) Digital currency inventory

Digital currency inventories are generated from the Company's purchased cryptocurrency through 3rd party exchanges and from its rewards from different blockchains. The Company has assessed that it acts in a capacity as commodity broker trader as defined in IAS 2, *Inventories* ("IAS 2"), in characterizing its digital currency inventory. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, such assets are accounted for as inventory, and changes in fair value (less costs to sell) are recognized in profit or loss.

The Company values its digital currency inventories based on the average quoted rates from various cryptocurrency exchanges less costs to sell. The principal market or most advantageous market is always unknown. The Company believes any price difference amongst the principal market and the average of quoted rates to 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 the average quoted prices on multiple cryptocurrency exchanges.

The Company's determination to classify its holding of cryptocurrencies as current assets is based on management's assessment that its cryptocurrencies can be considered to be commodities, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company actively sells its cryptocurrencies to generate a profit from price fluctuations.

(e) Equipment

Equipment consists of computer equipment and is recorded at cost less related accumulated depreciation and impairment losses. Cost includes all expenditures incurred to bring asset to the location and condition necessary for them to be operated in the manner intended by management. Depreciation is recognized based on the cost of the item less its estimated residual value, over its estimated useful life on a straight life basis over three years.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date and adjusted prospectively if appropriate.

An item of equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the condensed interim statements of income (loss) and comprehensive income (loss) when the asset is derecognized.

(f) Impairment of long-lived assets

As of the end of each reporting period, the Company reviews the carrying amounts of its equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Long-lived assets with indefinite useful life, or those not yet available for use, are tested for impairment annually. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequent reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(g) Financial instruments

Classification
The Company determines the classification of financial instruments at initial recognition and classifies its financial instruments in the following measurement categories:

- Those to be measured subsequently at fair value (either through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI");
- Those to be measured at amortized cost.

The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Measurement
Financial instruments at amortized cost

Financial instruments at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Currently, the Company classifies amounts receivable and accounts payable and accrued liabilities, as financial instruments at amortized cost.

Financial instruments at FVTPL
Financial instruments are initially recorded at fair value and transaction costs are expensed in the condensed interim statements of income (loss) and comprehensive income (loss). Financial instruments at FVTPL are subsequently measured at fair value, with gains and loss on disposition and unrealized gains and loss from changes in fair value are recognized in the condensed interim statements of income (loss) and comprehensive income (loss). The effective portion of gains and losses on financial instruments designed as hedges is included in the statements of comprehensive loss in the period in which it arises. When management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Currently, the Company classifies cash and cash equivalents, due from broker, loans payable and digital assets sold short as FVTPL.

Business model assessment
The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;

- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical rest of interest

Reclassifications
The Company would only reclassify a financial asset when the Company changes its business model for managing the financial asset. All reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) cumulative gain or loss that had been recognized in other comprehensive income ("OCI") is recognized in profit or loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligation under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the condensed interim statements of income (loss) and comprehensive income (loss).

Modifications of financial assets and financial liabilities
Financial assets
If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities
The Company derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized

at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument, which is considered level 1 inputs. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs (level 2 inputs) and minimize the use of unobservable inputs (level 3 inputs). The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any observable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustment –e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Impairment

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortized costs and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default of past due event.
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Recognition of allowance of expected credit losses ("ECL") in the statement of financial position
The Company recognizes a loss allowance for ECL on trade receivables that are measured at amortized cost. The Company's applied the simplified approach for trade receivables and recognizes the lifetime ECL for these assets. The ECL on trade receivables is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets measured at amortized cost or FVOCI, the Company recognizes lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on such financial instruments has not increased significantly since initial recognition, the Company measures the loss allowance on those financial instruments at an amount equal to 12-months ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial asset at the reporting date with the risk of default occurring at the initial recognition. The Company considers both quantitative and qualitative factors that are supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company presumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
For internal credit risk management purposes, the Company considers a financial asset not recoverable if the customer balance owing is 120 days past due and information obtained from the customer and other external factors indicate that the customer is unlikely to pay its creditors in full.

Write off policy
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(h) Revenue recognition

The Company recognizes revenue in accordance with IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). Revenue is recorded at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Consulting fees

The Company recognizes income from providing consulting services on an accrual basis when the services are performed.

Digital currency inventory income

The Company recognizes revenue from providing liquidity to different digital currency chains. As consideration for these services, the Company is rewarded with digital currency from each specific network in which it participates. Revenue is recognized when the rewards of digital currency are earned from the networks. The digital currency is recorded on the statement of financial position as digital currency inventory at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of digital currency inventory for traditional (fiat) currencies are included in profit or loss.

(i) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case it is recognized in equity or other comprehensive income (loss).

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

Deferred tax is recognized using the asset and 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. The following temporary difference do not result in deferred tax assets or liabilities: the initial

recognition of assets or liabilities that affect neither accounting nor taxable loss; difference 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 statements 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.

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.

(j) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or entities. A transaction is considered to be a related party transaction when there is transfer of resources or obligations between related parties.

(k) Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares, options and warrants are recognized as a deduction from equity, net of tax, from the proceeds.

(l) Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as units. The proceeds from the issuance of units are allocated between share capital and warrants. The warrant component is recorded in warrant reserve. Unit proceeds are allocated to common shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in warrant reserve, is recorded as an increase to share capital. For any warrants that do not vest upon issuance, a forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of warrants that vest. Upon expiration of warrants, the amount applicable to expired warrants is moved to contributed surplus.

(m) Stock options

Each tranche of an award with graded vesting periods is considered a separate grant at each grant date for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted, the estimated volatility, estimated risk-free rate and estimated forfeitures. The value of the options granted is recognized over the vesting period in share-based compensation expense in the condensed interim statements of income (loss) and comprehensive income (loss), and in options reserve. Upon exercise, shares are issued from treasury and the amount reflected in options reserve is credited to share capital, along with any consideration paid. Upon expiration of options, the amount applicable to expired options is moved from options reserve to contributed surplus.

If a grant of the share-based payments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting and recognizes immediately the amount that otherwise would have been recognized for services over the remainder of the vesting period.

The amount recognized for goods or services received during the vesting period are based on the best available estimate of the number of equity instruments anticipated to vest. The Company revises that estimate, if necessary, if subsequent information indicates that the number of share options anticipated to vest differs from previous estimates. On vesting date, the Company revises the estimate to equal the number of equity instruments that ultimately vested. After vesting date, the Company makes no subsequent adjustment to total equity for goods or services received if the share options are later forfeited or they expire at the end of the share options' life.

If a grant of the share-based payment is modified during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) and the fair value of the new instruments is higher than the fair value of the original instrument, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period form modification date until the date when the modified equity instruments vests, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period of the original instrument.

(n) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. In a profit period, under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of diluted stock options and warrants are used to repurchase common shares at the average price during the period.

(o) Income from providing liquidity to digital currency chains

The Company recognizes income from receiving rewards by providing liquidity to different digital currency chains. As consideration for these services, the Company receives digital currency from each specific network in which it participates. Income from providing liquidity is measured based on the fair value of the digital currency received. The fair value is determined by the stable digital currency received after swapping the non-stable digital currency earned for providing liquidity. The digital currency is recorded on the statement of financial position at the fair value less costs to sell and revalued at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of digital currency for traditional (fiat) currencies are included in profit and loss in accordance with the Company's treatment of its digital currency inventory as a trading commodity.

Currently there is no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of cryptocurrencies, and management has exercised judgement in determining the appropriate accounting treatment for the recognition of revenue for its cryptocurrency operations.

The Company has liquidities deployed on various blockchains. There is risk that if the blockchains are hacked, the liquidities owned by the Company may suffer a loss from the liquidity being frozen. Please refer to Note 11 for the details.

(p) Acquisitions

As a reverse takeover that does not meet the definition of a business combination under IFRS 3 Business Combinations, "413" is treated as the acquiree and Liquid Meta is treated as acquirer, and the equity consideration to the "413" shareholders is measured at fair value, using the acquisition method of accounting, and the costs of RTO, including the shares issued, are expensed as listing costs. The go-forward entity is deemed to be a continuation of Liquid Meta and Liquid Meta is deemed to have acquired control of the assets and operations of "413" in consideration for the issuance of shares.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the condensed interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both the current and future periods.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Functional currency

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing, and related transactions. Specifically, the Company considers the currencies in which digital currencies are most denominated and the currencies in which expenses are settled, by each entity, as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

***(b)* Digital currency inventory valuation**

Digital currency inventories consist of cryptocurrency denominated assets and are included in current assets. Digital currency inventory is carried at their fair value determined by average value over a twenty-four-hour period less costs to sell. The cryptocurrency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for cryptocurrency could have a significant impact on the Company's earnings and financial position.

(c) Share-based payments

The fair value of share-based compensation expenses is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture of options or warrants granted.

(d) Going concern

In order to assess whether it is appropriate for the Company to continue as a going concern, management is required to apply judgment and make estimates with respect to future cash flow projections.

In arriving at this judgment, there were a number of assumptions and estimates involved in calculating these future cash flow projections. This includes making estimates regarding the timing and amounts of future expenditures and the ability and timing of raising additional financing.

(e) Taxes

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and interpretation of the treatment for tax purposes of cryptocurrencies by taxation authorities. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payments of taxes. The Company provides for such difference where known based on management's best estimate of the probable outcome of these matters.

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate for the full financial year. The estimated annual tax rate used for the three and nine months periods ended February 28, 2022 and 2021 is 27%.

5. RTO

On December 17, 2021 the Company amalgamated with 413 in order to effect a reverse takeover of 413 as part of a go public process. The Amalgamation provided for a split of the Company's common shares of 2.5858 post-Amalgamation common shares for each pre-Amalgamation common share. Prior to completion of the transaction, the common shares of 413 were consolidated on the basis of 5.5146 pre-consolidation common shares of 413 for each one post-consolidation common share of Liquid Meta. The option holders and warrant holders of Liquid Meta received 2.5858 options and warrants respectively, of Liquid Meta for each option or warrant respectively, of Liquid Meta held immediately prior to completion of the transaction, with the exercise prices adjusted accordingly. The Share Split has been reflected in these financial statements retroactively.

The RTO has been accounted for in accordance with IFRS 2 *Share-based payment*s. The RTO is considered to be a reverse take-over of 413 by Liquid Meta. An RTO transaction involving a non-public operating entity and a non-operating public company is in substance a shared based payment transaction rather than a business combination. The transaction is equivalent to the issuance of common shares by the non-public operating entity Liquid Meta, for the net assets and the listing status of the non-operating public company, 413". The transaction was negotiated and completed at arm's length.

At the date of the Acquisition the RTO was recorded as follows:

Consideration	**$**
Fair Value of 802,511 common shares	802,511
Total consideration	**802,511**
Net assets acquired (liabilities assumed):	
Cash	11,005
Other receivables	1,220
Accounts payable and accrued liabilities	(52,531)
Due to related parties	(16,266)
Total net liabilities assumed	(56,572)
Listing fee	**859,083**
Other listing expenses	392,151
Total listing expenses	**1,251,234**

The value of the shares issued to 413 plus the excess of fair value of net liabilities assumed is considered an expense of acquiring a public listing and as a result, the listing fee expense is $ 859,083.

6. EQUIPMENT

Equipment is as follows:

	($)
Cost	
Balance, May 31, 2021	**2,799**
Additions	**1,387**
Balance, February 28, 2022	**4,186**
Accumulated amortization	
Balance, May 31, 2021	**-**
Charge for the period	**854**
Balance, February 28, 2022	**854**
Net book value:	
May 31, 2021	**2,799**
February 28, 2022	**3,332**

7. RELATED PARTY TRANSACTIONS

Key management includes personnel having the authority and responsibility for planning, directing and controlling the Company as a whole. The Company has determined its key management personnel to be executive officers and directors of the Company.

(a) Included in accounts payable as at February 28, 2022 is $16,544 (May 31, 2021 - $4,822) payable to a shareholder who has 27.84% of the Company's shares in exchange for USDC (USD Coin, a fiat-backed digital asset coin) and SOL digital currency.

(b) Included in general and administrative expense is consulting fees for the three and nine months ended February 28, 2022 , equal to $110,182 and $251,833, respectively, incurred with officers of the Company (2021 - $nil).

(c) Included in professional fees expense for the three and nine months ended February 28, 2022 , is $49,333 and $111,074, respectively, incurred with officers of the Company (2021 - $nil). .

(d) Included in the share-based compensation for the three and nine months ended February 28, 2022 is $1,300,855 and $1,330,314, respectively, incurred with directors and officers of the Company (2021 – nil).

8. SHAREHOLDERS' EQUITY

(a) Authorized

The authorized capital of the Company consists of an unlimited number of common shares.

(b) Issued

On November 24, 2021, the Company issued 2,249,973 common shares at $1 per share for aggregate proceeds of $2,249, 999. 249,998 of these common shares ere issued to an individual who became a director in December.

On December 17, 2021, the Company issued 19,999,880 common shares at the value of $1 each share for subscription receipts done on November 30, 2021.

On December 17, 2021, the Company issued 350,000 common shares at the value of $1 each share for subscription receipts done on December 2, 2021.

On December 17, 2021, the Company issued 125,999 common shares at the value of $1 each share in consideration for the services rendered by an agent.

On December 17, 2021, the Company issued 100,000 common shares at the value of $1 each share in consideration for capital markets support and advisory services.

On December 17, 2021, the Company issued 802,511 common shares with a fair value of $1 per share to complete the Amalgamation (see note 5).

On February 3, 2022, 209,406 warrants were converted to 209,406 common shares at an exercise price of $0.28 per share for aggregate gross proceeds of $58,632.

No dividends have been paid or declared by the Company since inception.

The following table is the summary of shares issued during nine months period ending February 28, 2022:

Date	Description	Number of shares
November 24, 2021	Private placement	2,249,973
December 17, 2021	Private placement	20,575,879
December 17, 2021	Reverse takeover (RTO)	802,511
February 3, 2022	Warrants exercised	209,406
Total		**23,837,769**

(c) Stock options

The Company has established a share option plan (the "Option Plan") for directors, officers, employees and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan, the term and vesting periods, and the exercise price of options granted to individuals under the Option Plan.

The following is a summary of option issuances for the nine months ended February 28, 2022:

	Outstanding (#)	Weighted average exercise price ($)
Balance, May 31, 2021	775,755	0.29
Granted	3,900,000	1.00
Exercised	-	-
Balance, February 28, 2022	**4,675,755**	**0.88**

The following table is a summary of the Company's options outstanding as at February 28, 2022:

Outstanding	Exercisable	Exercise price	Fair value at grant date	Expiry date	Weighted average remaining life
#	#	$	$		
775,755	387,878	0.29	166,820	May 31,2026	4.25 years
2,900,000	1,500,000	1.00	2,158,061	December 17, 2026	4.80 years
400,000	400,000	1.00	297,793	December 22, 2026	4.81 years
100,000	0	1.00	69,212	October 25, 2026	4.65 years
400,000	200,000	1.00	229,357	January 9, 2027	4.86 years
100,000	0	1.00	74,700	January 30, 2027	4.92 years
4,675,755	**2,487,878**	**0.88**	**2,995,943**		**4.71 years**

For the nine months ended February 28, 2022, $1,713,978 was recognized in share-based compensation and options reserve.

(d) Warrants

The following is a summary of warrant issuances for the nine months ended February 28, 2022:

	Outstanding (#)	Weighted average exercise price ($)
Balance, May 31, 2021	723,651	0.28
Granted	1,081,992	1.00
Exercised	(209,406)	0.28
Balance, February 28, 2022	**1,596,237**	**0.77**

The following table is a summary of the Company's warrants outstanding as of February 28, 2022:

Outstanding	Exercisable	Exercise price	Fair value at grant date	Expiry date	Weighted average remaining life
#	#	$	$		
437,044	167,691	0.28	135,309	May 1, 2026	4.17 years
77,201	77,201	0.28	11,375	May 1, 2023	1.17 years
1,081,992	1,081,992	1.00	606,841	December 17,2023	1.80 years
1,596,237	**1,326,884**	**0.77**	**753,525**		**2.42 years**

For the nine months ended February 28, 2022, $641,927 was recognized in share-based compensation and warrants reserve.

(e) Escrowed Securities

As per the Escrow Agreement signed on December 17, 2021 between the Company and Odyssey Trust Company in connection with the RTO, the Company's 21,218,097 shares and 775,740 options beneficially owned by certain director and officers of the Company were placed in escrow with an escrow agent. 1/4 of these shares and options were released on December 20, 2021. The remaining escrowed securities are to be released from escrow as follows:

- 1/3 of the remaining escrowed securities are to be on June 20, 2022;
- 1/2 of the remaining escrow securities are to be released on December 20, 2022;
- Any remaining escrow securities are to be released on June 20, 2023;

As of February 28, 2022 15,906,076 common shares and 775,740 options are held in escrow. Additionally, 7,500 shares in Clearing and Depository Services are to be added to the escrow.

(f) Voluntary pooling arrangement

In addition, 33,038,265 common shares were subject to a voluntary pooling arrangement pursuant to which common shares are subject to resale restrictions. 25% of these shares were released on December 17, 2021. The remaining are to be released from such restrictions on a pro rata basis as follows:

- 25% are to be released on March 17, 2022;
- The remaining 50% are be released on June 17, 2022.

As of February 28, 2022 24,778,699 common shares are subject to resale restrictions.

9. LOSS ON DIGITAL CURRENCY INVENTORY AND DIGITAL ASSETS SOLD SHORT

Loss on digital currency inventory and digital assets sold short is comprised as follows:

	February 28, 2022,	
	For the three months ended	For the nine months ended
	$	$
Realized loss on digital currency inventory	(3,774,627)	(3,649,416)
Unrealized gain on digital currency inventory	355,719	474,295
Realized gain on digital assets sold short	1,620,489	1,305,325
Unrealized gain on digital assets sold short	299,709	283,657
Loss on digital currency inventory and digital assets sold short	**(1,498,710)**	**(1,586,139)**

10. FINANCIAL INSTRUMENTS

Carrying values of financial instruments are as follows:

	February 28, 2022	May 31, 2021
	$	$
FVTPL, measured at fair value:		
Assets		
Cash and cash equivalents	9,562,900	2,176,609
Due from broker	4,705,264	-
Liabilities		
Digital assets sold short	4,421,608	-
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	270,055	111,900

The Company has determined the estimated fair value of its financial instruments, if any, based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments, if any, are not materially different from their carrying values.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 of the fair value hierarchy based on the degree to which inputs used in measuring fair value is observable:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company classifies cash of $9,562,900 as at February 28, 2022 (May 31, 2021 - $2,176,609), due from broker $4,705,264 as at February 28, 2022 (May 31, 2021 – $nil), digital assets sold short of $4,421,608 as at February 28, 2022 (May 31, 2021 – $nil) as level 1.

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). The Company does not have any level 2 financial instruments.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company does not have any level 3 financial instruments.

Risk exposure and management

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company has exposure to credit risk through its cash and receivable from the broker. The Company manages credit risk, in respect of cash by maintaining the majority of cash at highly rated financial institutions.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the statement of financial position of $14,268,165 as at February 28, 2022; no amounts were held as collateral.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at February 28, 2022, the Company has a working capital of $21,863,567. The Company is exposed to liquidity risk through its accounts payable and accrued liabilities which are due within one year of the balance sheet date.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. These are discussed further below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. In addition, the Company holds positions in various crypto currencies which have a market value stated in US dollars. Exchange rate fluctuations affect the costs that the Company incurs in its operations. The Company's presentation currency is the US dollar and major purchases are transacted in US dollars. The fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities.

Other than the operating cost incurred in CAD, the Company has CAD deposited in the bank and held on the crypto currency exchange. As at February 28, 2022, had the United States dollar strengthened or weakened by 1% in relation to all currencies, with all other variables remaining constant, net loss and comprehensive loss for the period would have increased or decreased by $88.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company shorts the contracts underlying of digital assets inventory on exchanges to minimize the value fluctuation of digital currency inventory. As at February 28, 2022, had the value of the contracts increased or decreased by 1%, with all other variables remaining constant, net loss and comprehensive loss for the period would have increased or decreased by $44,216.

11. SUBSEQUENT EVENTS

(a) Stock option issuance

On March 23, 2022 The Company issued 225,000 options at an exercise price of $1.00 to an executive. The options expire on March 23, 2027. The vesting schedule is as follows:

- 56,250 options are to vest on June 21, 2022;
- 56,250 options are to vest on March 23, 2023;
- 56,250 options are to vest on June 21, 2024;
- 56,250 options are to vest on June 21, 2025.

(b) Security breach

On March 29, 2022, the Ronin Network announced a security breach whereby the Sky Mavis' Ronin validator nodes were compromised, resulting in 173,600 Ethereum and 25.5M USDC being drained from the Ronin bridge in two transactions. As a result of the hack, certain DEX's and the Ronin blockchain were halted and the support teams of the Ronin blockchain immediately attempted to try and recover these funds. A number of the DEX's resumed trading activities. The funds that were compromised on the bridge serve as collateral to a portion of the assets held on the Ronin network, and if this collateral is not recovered it could have an impact on the value of these assets.

While the Company does not have any direct exposure to the hack on the Ronin bridge, it had approximately $2.3 million of exposure on the Ronin network DEX, which represents approximately 10% of total liquidity deployed.

On April 6, 2022, Sky Mavis announced that it had successfully raised $150M from lead investors in order to return some of the funds that were stolen as a result of the hack and that they are committed to returning all of the funds that were compromised.