

Liquid Meta Capital Holdings Ltd.

Management Discussion & Analysis

For the three and nine months ended

February 28, 2022

The following Management's Discussion and Analysis ("MD&A") comments on the unaudited financial condition and results of operations of Liquid Meta Capital Holdings Ltd. ("Liquid Meta" or the "Company") as at and for the three and nine-month period ended February 28, 2022. All data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. This MD&A should be read in conjunction with Liquid Meta's unaudited condensed interim financial statements for the three-month and nine-month period ended February 28, 2022 (the "Financial Statements"). The results presented in the MD&A are not necessarily indicative of the results that may be expected for any future period.

Unless the context otherwise requires, all references to "Liquid Meta", "Company", "our", "us", and "we" refers to Liquid Meta Capital Holdings Ltd.

This MD&A is dated April 13, 2022. All amounts are presented in US dollars, unless otherwise noted.

Additional information related to Liquid Meta is available on the Company's profile on SEDAR at www.sedar.com.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains forward-looking statements. All information other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions (including negative variations) suggesting future outcomes or statements regarding an outlook. In particular, this MD&A contains forward-looking statements with respect to, among other things, our objectives, goals, strategies, intentions, plans, estimates, outlook, expected growth and business opportunities. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation, factors and assumptions regarding revenues, operating costs and tariffs, taxes and fees, changes in market competition, governmental or regulatory developments, changes in tax legislation and general economic conditions. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: the Company's ability to develop various decentralized finance software applications which are considered financially viable; the sufficiency of the Company's cash and cash generated from operations to meet its working capital and capital expenditure requirements; the ability of the Company to raise sufficient capital to fund operations and meet its financial obligations; and changes in accounting standards. The Company has made certain assumptions about the Company's business, the economy and digital currencies, decentralized finance and blockchain sectors in general and has also assumed that there will be no significant events occurring outside of the Company's normal course of business.

The Company cautions you that the foregoing list may not contain all of the forward-looking statements made in this MD&A. The Company's actual results, performance or achievements could differ materially

from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits that the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are cautioned not to place undue reliance on the forward-looking information contained in this MD&A, as a number of factors – many of which are beyond our control and the effects of which are difficult to predict – could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information.. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as at the date of this document and Liquid Meta does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. All of the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Non-IFRS Measure

The Company has included herein certain supplemental measures of key performance, such as Net Loss Excluding One-Time and Non-Cash Charges. The term “Net Loss Excluding One-Time and Non-Cash Charges” refers to new earnings (loss) before share-based compensation and listing expenses incurred in connection with the RTO (as defined herein). The Company believes that Net Loss Excluding One-Time and Non-Cash Charges is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration items listed above. The MD&A presents Net Loss Excluding One-Time and Non-Cash Charges, as a non-IFRS financial measure, to assist readers in understanding the Company’s performance during the period in discussion herein. Please refer to second table on page 7 of this MD&A for a reconciliation of Net Loss Excluding One-Time and Non-Cash Charges to the “Issuer’s GAAP” (as such term is defined in National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards). This non-IFRS measure does not have any standardized meaning and is therefore unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Corporate Overview and Nature of Business

Liquid Meta was incorporated provincially under the Business Corporation Act (British Columbia) on January 6, 2020 as Liquid Meta Capital Holdings Ltd. Liquid Meta’s registered office is located at 700-401 West Georgia Street, Vancouver, British Columbia, V6B 5A1. The Company is a public company whose common shares trade on the NEO Exchange Inc. under the symbol “LIQD”.

Liquid Meta is a technology-enabled company that is building proprietary software and tools to access, automate, and scale operations within the fast-growing DeFi segment of the blockchain industry. Liquid Meta is a DeFi and Web3 focused company developing best-in-class technology and operational expertise allowing it to build a scaled business within proof-of-stake (“PoS”) based networks (see “Proof-of-Stake” for more information).

There is a general shift within the blockchain sector towards alternative consensus mechanisms and PoS is the most prominent model. PoS based networks do not have the high capital expenditures, operating

costs, and depreciation associated with proof-of-work based networks as there is no need for specific hardware or large energy intensive mining operations. Within these PoS based networks, Liquid Meta's aim is to be a scaled liquidity miner contributing to the infrastructure that powers the open-access and decentralized web.

Liquid Meta is focused on the DeFi segment of the digital asset ecosystem through its Liquidity Mining business. Liquid Meta's focus is to scale its liquid mining operations through consistent fee generation, not necessarily through exposure to the volatility of digital asset prices themselves. Gaining exposure to digital assets such as Bitcoin and Ethereum has become much simpler for retail and institutional investors alike, Liquid Meta is building what it believes is core infrastructure and a business model that is sustainable over the long term in the sector.

Liquidity Mining is the practice of staking digital assets across one or many blockchain-based protocols or applications, such as Uniswap or Sushiswap, through liquidity pools. A liquidity pool is a pool of tokens that are locked in smart contracts that interact with a decentralized exchange ("DEX") to facilitate the exchange of digital assets. Every time a transaction occurs within the liquidity pool, the protocol generates a service fee for the transaction, a portion of which is distributed to liquidity providers in the form of fees for providing a service to the protocol. Additionally, in some cases, liquidity miners can also earn protocol reward tokens by protocols and applications, which are offered as incentives and additional revenue generating opportunities for liquidity miners for interacting and providing liquidity to various protocols.

Liquid Meta is currently liquidity mining across many blockchain-based protocols or applications across Decentralized Exchanges. In exchange for providing this liquidity Liquid Meta is distributed a fee. Liquidity Mining is the primary focus of the company's operations currently and for the foreseeable future.

Significant Transactions

413 Amalgamation

On December 17, 2021, Liquid Meta amalgamated with 1287413 B.C. Ltd. (the "Amalgamation"), a reporting issuer in the provinces of Alberta and British Columbia ("413") to effect the combination of their respective business and assets by way of a business combination to merge and continue as one corporation in accordance with the provisions of the *Business Corporations Act* (British Columbia) in connection with the business combination of the two entities that resulted in the reverse takeover of 413 by Liquid Meta (the "RTO"). 413 had no material assets or active business.

The RTO was effected with the regulatory approval of the NEO Exchange, and with shareholder approval.

Pursuant to the Amalgamation, upon closing:

- 413 and LM amalgamated and continue as one corporation, the Company;
- The 413 common shares outstanding were cancelled and each former 413 common shareholder received one (1) fully paid and non-assessable common share of the Company for each one (1) 413 common share held immediately prior to the Amalgamation;

- The Liquid Meta common shares outstanding were cancelled and former Liquid Meta common shareholders received one (1) fully paid and non-assessable common share of the Company for each one (1) Liquid Meta common share held immediately prior to the Amalgamation; and

- Each Liquid Meta warrant or option outstanding immediately prior to the completion of the Amalgamation was cancelled and former holders of such securities received (1) Company warrant or option for each one (1) Liquid Meta warrant or option held immediately prior to the Amalgamation.

The transaction costs relating to the Amalgamation plus the aggregate of the fair value of the consideration paid to the former 413 shareholders and the net liabilities of 413 assumed has been recognized as listing costs, in the condensed interim statement of loss and comprehensive loss. There are no costs pertaining to the former operations of 413 after the date of the Amalgamation and there are no prior operating expenses of 413 included in these condensed interim financial statements.

The Amalgamation constitutes a reverse acquisition of 413 by Liquid Meta as the former shareholders of Liquid Meta own a majority of the issued and outstanding common shares of the resulting corporation. For accounting purposes, Liquid Meta is considered the accounting acquirer and 413 the accounting acquiree. The Amalgamation has been accounted for in accordance with the guidance provided in IFRS 3, "Business Combinations". As 413 did not meet the definition of a business under the guidance from IFRS 3, the Amalgamation does not constitute a business combination and accordingly, the Amalgamation has been accounted for in accordance with guidance provided in IFRS 2, "Share-Based Payments". The net asset purchase price was determined as an equity settled share-based payment, under IFRS 2, at the fair value of the equity instruments issued by the Company, based on the market value of the Company's common shares on the date of closing the Amalgamation. The market value has been determined based on Level 2 inputs under IFRS 13 fair value hierarchy basis of $1.00 per share which is equivalent to the subscription receipt private placement issue price.

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)
Net liabilities assumed	**(56,572)**
Purchase price	**859,083**

In connection with the Amalgamation, (A) Liquid Meta completed the a private placement of subscription receipts comprised of: (i) the brokered sale of 14,336,000 subscription receipts through registered agents; and (ii) the non-brokered sale by Liquid Meta of 6,013,880 subscription receipts, pursuant to which an aggregate of 20,349,880 subscription receipts were issued at a price of $1.00 per subscription receipt for aggregate gross proceeds of $20,349,880; and (B) 413 completed a non-brokered private placement of 13,700 subscription receipts at a price of $1.00 per subscription receipt for aggregate gross proceeds of $13,700. On closing of the Amalgamation, the Liquid Meta subscription receipts and the 413 subscription receipts were converted into common shares of the Company.

In connection with the private placement of subscription receipts, the Company issued 924,492 broker warrants and 157,500 advisory warrants each exercisable into one common share of the Company at an exercise price of $1.00.

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

Fiscal Year-to-Date Highlights

- $22.6M gross equity raised
- Liquidity Mining revenue of $1.5M
- Proceeds from the RTO related financing fully deployed in Q3
- Successful Q3 listing on the NEO
- Successful Q3 listing on the Frankfurt Exchange
- Successful development and Beta testing of certain modules of the MetaBridge DeFi platform
- Incorporated direct node integration to 9 different blockchains on our search engine. These integrations represent the foundations of the MetaBridge enabling Liquid Meta to automate our operation and capture DeFi transaction activity. Blockchains include Ethereum, Binance Smart Chain, Polygon, Avalanche, Fantom, Ronin, Solana, Terra, Arbitrum.
- Developed proprietary applications that capture transaction activity and financial performance across blockchains, decentralized applications and liquidity pools (LP's).
- We have completed the first phase of our comprehensive liquidity mining hedging strategy. Liquid Meta is currently using internally developed software to test and deploy hedging strategies across different tokens and market environments. We continue to deploy more of these technologies across a greater number of LP's.
- We continue to allocate liquidity to new and innovative staking protocol strategies with the goal of optimizing yields while reducing risks and industry / macro volatility.
- Continue to build out the executive team including the hiring of a CTO, Daniel Opperman in March 2022
- Announced partnerships with Web3.0 companies XLD Finance and Civic Technologies
- Successfully preserved the strength of the balance sheet in one of the most volatile months (January 2022) in recent years.

Overall Performance, Selected Quarterly Information & Discussion of Operations

Liquid Meta raised capital for the purpose of building its proprietary DeFi technology platform MetaBridge and for staking and liquidity mining during the first month of Q3 (December 2021). The Company staked the majority of the capital shortly after completion of RTO as per our established plan.

January 2022 was one of the most volatile months in recent years across all 'risky' assets including cryptocurrencies and adjacent markets like DeFi. During the month of January certain crypto assets including the largest crypto tokens BTC and ETH lost approximately 20% and 30%, respectively, of their value. A basket of layer 1 tokens that Liquid Meta uses in its staking and liquidity mining operations lost an average of 42% of value in the month of January. Asset volatility was the result of an uncertain global macro economic environment given rising inflation, rising interest rates and political instability in Europe. Although global asset values plummeted during January, including most crypto tokens and assets, Liquid Meta was able to successfully preserve its balance sheet through an operating strategy that deployed an active hedging program, implementing a diversified liquidity mining strategy, and limiting exposure to unhedged assets.

A significant amount of the losses that were incurred in January came from a less than 2% of total liquidity deployed to certain volatile LP's that were not hedged. Subsequently, Liquid Meta has removed any exposure to LP's where it cannot deploy an active hedging strategy. Although we were not exposed to certain more 'unhedged' LP's subsequent to quarter end, we continue to evaluate these LP's as viable and strategic areas of DeFi for us to deploy liquidity and generate disproportionately higher yields.

Summary of Financial and Operating Results

Selected financial information for the Company for the period ended February 28 is provided below:

	For the three months period ended February 28,		For the nine months period ended February 28,	
	2022	**2021**	**2022**	**2021**
Revenue	$1,108,946	$8,625	$ 1,496,150	$8,625
Income (Loss) from Operations	(4,539,656)	8,499	(4,737,078)	8,552
Basic Loss per Share	($0.09)	-	($0.13)	-
Diluted Loss per Share	($0.09)	-	($0.12)	

Note: (Period from December 1, 2020 to February 28, 2021 and from December 1, 2021 to February 28, 2022, period from June 1, 2020 to February 28, 2021 and June 1, 2021 to February 28, 2022.)

The Company reported revenues from providing liquidity to various proof-of-stake ("PoS") based networks are $1,108,946 and $1,496,150 (Q3 2021 - $8,625), respectively for the three and nine-month period ended February 28, 2022.

The net loss for the three and nine months ended February 28, 2022 was $4,539,656 and $4.737,078 with basic and diluted loss per share of $0.09 for the three months ended February 28, 2022. Basic loss per share was $0.13 and diluted loss per share was $0.12 for the nine months ended February 28, 2022. The

loss was largely impacted by one-time expenses associated with listing as well as non-cash share-based compensation charges and is summarized in the chart below.

For the nine months period ended February 28, 2022	**($)**
Net income (loss)	(4,737,078)
One-time fees and non-cash charges:	
Share-based compensation	2,355,905
Listing expenses	1,251,234
Net loss excluding one-time and non-cash charges	**(1,129,939)**

* Net Loss Excluding One-Time and Non-Cash Charges is a non-IFRS measure and is discussed in the "Non-IFRS Measure" section of the MD&A.

Excluding one-time fees and non-cash charges, the Company's adjusted loss for the nine months ended February 28, 2022 is $1,129,939.

Revenue and Digital Asset Revaluation

The following table shows revenue and net revenue (loss) in dollars and as a percentage of revenue for the three and nine-months ended February 28, 2022:

	For the period ended February 28, 2022			
	Three months	**% of Revenue**	**Nine months**	**% of Revenue**
Revenue	$1,108,946	100%	$1,496,150	100%
Direct Costs	22,079	2.0%	53,067	3.5%
Loss on digital currency inventory and digital assets sold short	(1,498,710)	(135.1%)	(1,586,139)	(106 %)
Net Revenue (Loss)	**($411,843)**	**(37.1%)**	**($143,056)**	**(9.6%)**

Proceeds from the RTO financing were not fully deployed until January which resulted in a partial quarter of revenue from a fully deployed liquidity position. Given the extreme volatility in January there were periods during the month that experienced higher than expected gross revenues. Liquid Meta generates revenue from two sources; a share in total transaction fees collected from the LP's and token rewards. In markets where volatility is high, such as the month of January 2022, there can be significant increases in total transaction volumes and therefore transaction fees generated in the LP's. Higher transaction fees and revenues helped to offset some of the exposure to declining crypto assets in January. Volatility declined in February 2022 from peak levels January 2022 and transaction revenues have normalized.

Loss on digital currency inventory and digital assets sold short consists of the following:

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

Notes:

i. Represents the loss on exchanging digital assets during the periods.
ii. Represents the change in value of the digital assets held at the end of the periods.
iii. Represents the gain on short contracts pertaining to digital assets that were settled.
iv. Represents the change in value of short contracts pertaining to digital assets that were not settled.

The loss on digital currency inventory and digital assets sold short of $1,498,710 in Q3 was the result of Liquid Meta's strategy to have some market exposure in the quarter and our mix of liquidity across different LP types. Our net long exposure to the market in January 2022, one of the most volatile months in the crypto market in the last several years, was mostly the reason for our losses in Q3. Given the continuation of volatility throughout the month of January and into February we reduced our net long exposure and tightened our short positions. Losses were also impacted by abnormally high funding costs related to our hedged positions. Subsequent to Q3/2022 market volatility has declined, asset prices have stabilized and LP's are operating at a normal capacity.

The net loss primarily consisted of the following operating expenses:

Operating expenses	**For the three-month period ended February 28, 2022**	**For the nine-month period ended February 28, 2022**
Share-based compensation (i)	$2,263,372	$2,355,905
Listing expenses (ii)	1,251,234	1,251,234
Professional fees (iii)	197,336	305,535
Advertising, marketing and investor relations	185,442	200,933
General and Administrative	218,429	455,248
Research and development	12,000	25,167
Total operating expenses	**$4,127,813**	**$4,594,022**

Notes:

i. Value of options and warrants that were recognized during the period.
ii. The listing transaction expense is comprised of the fair value of common shares of the company retained by the former shareholders of 413, the net liabilities of 413 assumed, legal fees and stock exchange listing fees incurred. $859,083 of this is a non-cash expense.

iii. Primarily consists of legal, audit and accounting fees, management compensation (see related parties transactions).

Liquidity and Capital Resources

As at February 28, 2022 the Company had total assets of $26,558,562 which are primarily as follows: cash of $9,562,900, digital assets of $12,073,550, due from brokers of $4,705,265 (perpetual futures), prepaid expenses of $212,000, and equipment of $3,332. The Company has current liabilities of $4,691,663 which primarily comprised of digital assets sold short in amount of $4,421,608 and accounts payable and accrued liabilities of $270,055.

For the period from June 1, 2021 to February 28, 2022, the Company experienced cash outflows of $14,776,772 from operating, cash outflows of $1,387 from investing, and cash inflows of $22,164,450 from financing activities.

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. The Company considers its shareholders' equity balance as capital.

Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivatives instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

Related Party Transactions

The Company's related parties consist of entities where the executive officers and directors of the Company are principals. Their position in these entities results in their having control or significant influence over the financial or operating policies of these entities.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel are the Company's executive management team and members of the Board of Directors.

Key management personnel compensation consisted of share-based compensation related to the issuance of options and warrants, general and administrative expenses in the part related to consulting services, and professional fees paid. For the three and nine-month period ended February 28, 2022, related party transactions were as follows:

	For the three-month period ended February 28, 2022	For the nine-month period ended February 28, 2022
Accounts Payable	$16,544	$16,544
Share-based compensation	1,300,855	1,330,314
General and administrative expenses	110,182	251,833
Professional fees	$49,333	$111,074

Included in accounts payable as of February 28, 2022, is a payable to a shareholder who holds approximately 27.84% of the outstanding common shares of the Company in exchange for USDC (USD coin, a fiat-backed digital asset coin) and SOL digital currency. Included in share-based compensation, consulting and professional fees incurred with directors and officers of the Company.

These transactions were in the normal course of operations.

Issued and outstanding share data

As of February 28, 2022, the Company had 53,837,246 common shares issued and outstanding. During the three months ended February 28, 2022, the Company issued the following common shares:

- 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 were 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.
- 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 ended 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	Issued upon Amalgamation	802,511
February 3, 2022	Warrants exercised	209,406
Total		**23,837,769**

Options

As of February 28, 2022, there were 4,675,755 stock options outstanding. During the three months ended February 28, 2022, 3,900,000 options were issued. No options have been exercised under the Company's equity incentive plan.

The changes in stock options during the three and nine months ended February 28, 2022, are as follows:

	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 summarizes the stock options outstanding and exercisable 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**

Warrants

As of February 28, 2022, there were 1,596,237 share purchase warrants outstanding. During the nine months ended February 28, 2022, 1,081,922 warrants were issued to agents in connection with the RTO private placement and 209,406 warrants were exercised for the equivalent number of common shares.

The changes in warrants during the nine months ended February 28, 2022 are as follows:

	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 summarizes the warrants outstanding and exercisable as at 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**

Capital Management

The Company's capital management objectives are to maintain financial flexibility in order to focus on providing liquidity services to PoS based networks. The Company defines capital as the aggregate of its share capital and borrowings.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under specific circumstances. The Company is not subject to any externally imposed capital requirements.

The management of the Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Financial Risk Management

Fair values of financial instruments as at February 28, 2022:

	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		
Loans payable	-	-
Digital assets sold short	$4,421,608	-
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	$270,055	$111,900
Subscription receipts liability	-	-

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 $4,705,265 as at February 28, 2022 (May 31, 2021 – $nil) and 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 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.

Significant Accounting Policies

The Company's significant accounting policies can be found in Note 3 of its audited financial statements for the period ended May 31, 2021 and Note 3 of the unaudited condensed interim financial statements for the three and nine months ended February 28, 2022.

Critical Accounting Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could 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 estimates are revised and in future periods affected.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the recognition of digital currency inventory; and
ii. the measurement and recoverability of deferred income tax assets; and
iii. the valuation of share-based payments.

Critical accounting judgments

i. the classification of financial assets and financial liabilities, which involves judgments or assessments made by management,
ii. the determination of whether it is likely that future economic benefits associated with the intangible asset capitalized will flow to the Company, which may be based on assumptions about future events or circumstances, and
iii. the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Digital Currency Inventory

Digital currency inventories are generated from the Company's purchased cryptocurrency through third 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.

Deferred income tax assets

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.

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 platforms. 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.

Share-Based Payments

The Company operates an omnibus equity incentive plan which provides for the awards of stock options, deferred share units ("DSUs") and restricted share units ("RSUs"). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of 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 recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve and warrant reserve.

The fair value of stock options, DSUs and RSUs is determined using the Black-Scholes pricing model. The number of shares, options, DSUs and RSUs expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Risks

General Risks

Liquid Meta has a limited operating history

Liquid Meta has a limited history of operations and is in the early stage of development. As such, Liquid Meta will be subject to many risks common to early stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenue. There is no assurance that Liquid Meta will achieve its operating goals. There is no assurance that Liquid Meta will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. There can be no assurance that Liquid Meta will be able to earn material revenue or that any of its activities will generate positive cash flow.

Liquid Meta is subject to competition from other liquidity mining companies

The Company competes with other DeFi and technology businesses, including other businesses focused on providing access and liquidity to DeFi platforms. Any market participant with sufficient capital and know-how has the ability to access DEX platforms and to provide liquidity on DeFi protocols and applications resulting in an increase in competition. Although, because there are a significant and growing number of DEX's across the DeFi sector and a growing number of protocols and DeFi projects, Liquid Meta's management believes that any negative impact on Liquid Meta's operations as a result of competition in the DeFi sector would not be materially adverse, however, it is possible that such competition and the lower barriers to entry to the market could have a material adverse effect on the Company's business.

Liquid Meta's compliance and risk management programs may not be effective

The Company's ability to comply with applicable laws and rules is largely dependent on the establishment and maintenance of compliance, review and reporting systems, as well as the ability to attract and retain qualified compliance and other risk management personnel, as needed. The Company cannot provide any assurance that its compliance policies and procedures will be effective or that it will be successful in monitoring or evaluating its risks. If there is any alleged non-compliance with applicable laws or regulations, The Company could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages, restitution or other remedies, which could be significant. Any of these outcomes, individually or together, may materially and adversely affect the Company's reputation, financial condition and valuation, and the value of its common shares.

Unexpected market disruptions may cause major losses for Liquid Meta

The Company may incur major losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that, in disrupted markets, many positions may become illiquid, making it difficult or impossible to close out positions against which markets are moving. Market disruptions caused by unexpected political, military and terrorist events, or other factors, may from time to time cause dramatic losses for Liquid Meta. Because, among other things, Liquid Meta engages in hedging practices with respect to certain of its cryptocurrency holdings to lessen material and adverse effects on Liquid Meta and the value its common shares.

The ongoing COVID-19 pandemic may have an adverse effect of the business of Liquid Meta

The ongoing global pandemic involving the novel coronavirus, COVID-19, has caused companies and various governments to take measures and impose restrictions to combat the pandemic, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and such measures and restrictions have negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of digital assets. Although the market price of some digital assets has risen since the pandemic began, the extent to which any worsening or continuation of the pandemic may negatively impact the market price of digital assets and, in turn, the market price of the Company's common shares, is uncertain and cannot be predicted. The realizable values of assets, liquidity and financial condition may be materially affected as a result, and Liquid Meta will continue to monitor the impact of the pandemic on its business. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19 and re-open the economy, and any successive waves of coronavirus outbreaks. As a result, at the time of this filing, it is impossible to predict the overall impact of COVID-19 on Liquid Meta's business, liquidity, capital resources and financial results.

Business and Industry Risks

Liquid Meta's business is reliant on Decentralized Exchanges (DEX's)

As a liquidity provider on a variety of decentralized protocols and applications, Liquid Meta is dependent on these public DEX's to continue their operations. There is no guarantee that DEX's continue to scale or upgrade over time such that their functionality improves or continues to be used by users. Additionally, the risks inherent to public blockchains, such as smart contract risks or cybersecurity risks, continue to apply to DEX's. There is also no certainty as to the future regulatory environment regarding DEX's or DeFi and any adverse changes could substantially impact our ability to conduct our business.

Liquid Meta's business is reliant on Centralized Exchanges (CEX's)

As a liquidity provider to DeFi projects and platforms Liquid Meta must rely on the use of centralized exchanges such as Kraken, FTX and Binance in order to send and receive capital from the company's traditional banking partners in order to exchange fiat and other forms of capital into digital assets that can then be used across various protocols and applications. Liquid Meta will also from time to time hold some of its assets including traditional fiat currencies (notably USD) on these Centralized Exchanges. Liquid Meta is reliant on these CEX's for the exchanging of fiat/digital assets and at times the custodial services they provide for capital not being deployed on the DEX's. Any change to the CEX's business models, practices, ability to custody assets, ability to send or receive payments, solvency, swap or exchange assets, or be subject to security breaches or hacks could have a meaningful impact on Liquid Meta's operations and potential loss of some or all of our assets.

Regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of digital assets in a manner that adversely affects the Company's operations.

Due to their global nature, digital assets are subject to regulatory fragmentation due to different treatment depending on jurisdiction. Certain governments have categorized cryptocurrencies as illegal while others have embraced their utility and have approved them for trade. Ongoing and/or future regulatory actions may alter the ability of the Company or any digital assets that the Company may stake, exchange, trade, mine, harvest, purchase or sell impossible to predict and may have a substantial impact on the Company's

business operations. Governments may take regulatory actions that prohibit or restrict the right to acquire, own, hold, sell, use or trade digital assets, or to exchange digital assets for fiat currency.

Digital asset transactions are irrevocable and losses may occur

Digital asset transactions are irrevocable, and stolen or incorrectly transferred crypto assets may be irretrievable. Digital asset transactions are not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of digital assets will not be reversible. If the Company is unable to effect a corrective transaction with a third party, or is incapable of identifying the recipient of its digital assets through error or theft, Liquid Meta will not be able to revert or otherwise recover any incorrectly transferred digital assets, or to convert or recover digital assets transferred to uncontrolled accounts.

Digital asset custody risk

Crypto assets are exposed to unique risks of loss or theft, relative to traditional assets. If the credentials (or private keys) to a digital wallet or asset are lost, stolen or destroyed, the crypto assets are not recoverable and would be lost by Liquid Meta. The crypto assets that are held directly by Liquid Meta in accordance with security processes and procedures that utilize multi-signature cold storage devices and secure safety deposit boxes. This minimizes any risks associated with 'hot wallets' that store crypto assets online, thereby reducing the exposure to risk of loss through cyber hacks or thefts.

Liquid Meta relies upon the use of internally/externally built proprietary software, data and intellectual property that may be subject to substantial risk

Liquid Meta's liquidity contribution strategy is dependent on internally and externally developed software, data and intellectual property. Our operations may be severely and adversely affected by the malfunction of technology, specifically our internally developed MetaBridge platform suite of software tools and any other third party software used to conduct our business. The technology of the DEX's or the crypto tokens and assets we are participating in/with may be inactive for periods of time.

Liquid Meta's business can be exposed to the illegal misuse of digital assets and bad actors or 'hackers'

DeFi protocols are permissionless by design, meaning they often lack any clear regulatory compliance and anyone in any country is able to access them. As a result DeFi and DeFi protocols (DEX's) can be the targets of unlawful activity and hacks. Protocols can have unaudited smart contracts which can be vulnerable to certain bad actors. The smart contracts being used by Liquid Meta and the Liquidity Pools used to generate revenue can be vulnerable to hacks, attacks, fraud, money laundering and manipulation.

Security Procedures and Operational Norms may not be enough to secure our assets

Liquid Meta's security procedures and operational practices and norms may still be breached due to actions of outside parties, error or malfeasance of an employee of Liquid Meta and, as a result, an unauthorized party may obtain access to Liquid Meta's digital asset accounts, wallets, private keys, data or crypto tokens. Additionally, outside parties may attempt to fraudulently induce employees of Liquid Meta or one of our technology partners to disclose sensitive information in order to gain access to the infrastructure of Liquid Meta. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event, and often are not recognized until launched against a target, Liquid Meta may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of Liquid Meta's

digital assets account occurs, the market perception of the effectiveness of its security protocols could be harmed and the value of the Liquid Meta's Shares could be materially adversely affected.

A decline in the adoption and use of digital assets could materially and adversely affect the performance of Liquid Meta

Digital assets are a relatively new asset class and a technological innovation and as such are subject to an increasing level of uncertainty. The adoption, growth and sustainability of any digital asset will require growth in its usage and in the blockchain for various applications. A lack of expansion in use of digital assets and blockchain technologies could adversely affect the financial performance of Liquid Meta. In addition, there is no assurance that any digital assets will maintain their value over the long term. Even if growth in the use of any digital assets occurs in the near or medium term, there is no assurance that such use will continue to grow over the long term. A lack of expansion of digital assets into the retail and institutional markets may result in increased volatility or a reduction in the market price of these assets. Further, if fees increase for recording transactions on these blockchains, demand for digital assets may be reduced and prevent the expansion of the networks to retail merchants and institutional businesses, resulting in a reduction in the price of these assets. A contraction in use of any digital asset may result in increased volatility or a reduction in prices, which could materially and adversely affect the value of Liquid Meta's assets and the value of any investment in Liquid Meta's shares.

The value of digital assets may be subject to momentum pricing risk

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Market prices of digital assets are determined primarily using data from various exchanges, over-the-counter markets and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of digital assets, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of Liquid Meta's digital asset holdings, liquidity mining operations, and the value of the Liquid Meta's shares.

Banks may not provide banking services, or may cut off banking services, to businesses that provide digital asset related services

A number of companies that provide digital asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital asset-related companies, or companies that accept digital assets, for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide digital asset-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may decrease the usefulness of digital assets as a payment system and harm public perception of digital assets. Similarly, the usefulness of digital assets as a payment system and the public perception of digital assets could be damaged if banks were to close the accounts of many or of a few key businesses providing digital asset-related services.

Liquid Meta will have to adapt to evolving security risks

As technological change occurs, the security threats to Liquid Meta's digital assets and the Liquidity Pools we are providing liquidity to will likely adapt, and previously unknown threats may emerge. The ability of

Liquid Meta, the DEX's it is providing liquidity to and other service providers to adopt technology in response to changing security needs or trends may pose a challenge to the safekeeping of their assets and liquidity pools. To the extent that Liquid Meta, the DEX's that it is providing liquidity to or its service providers are unable to identify and mitigate or stop new security threats, Liquid Meta's assets and DEX's may be subject to theft, loss, destruction or other attack.

Liquid Meta may be unable to obtain adequate insurance to insure its operations

Liquid Meta intends to insure its operations in accordance with technology industry practice. However, given the novelty of digital assets and associated businesses, such insurance may not be available, may be uneconomical for Liquid Meta, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on Liquid Meta.

The Business of Liquid Meta will be exposed to cybersecurity risks

Cyber incidents can result from deliberate attacks or unintentional events, and may arise from internal sources (e.g., employees, contractors, service providers, suppliers and operational risks) or external sources (e.g., nation states, terrorists, hacktivists, competitors and acts of nature). Cyber incidents include unauthorized access to information systems and data (e.g., through hacking or malicious software) for purposes of misappropriating or corrupting data or causing operational disruption. Cyber incidents also may be caused in a manner that does not require unauthorized access, such as causing denial-of-service attacks on websites (e.g., efforts to make network services unavailable to intended users). A cyber incident that affects Liquid Meta, the DEX's it is providing liquidity to or its service providers might cause disruptions and adversely affect their respective business operations, and might also result in violations of applicable law (e.g., personal information protection laws), each of which might result in potentially significant financial losses and liabilities, regulatory fines and penalties, reputational harm, and reimbursement and other compensation costs. In addition, substantial costs might be incurred to investigate, remediate and prevent cyber incidents.

The evolving regulatory environment and various standards of transparency surrounding the operations of digital asset exchanges may cause the marketplace to lose confidence in crypto assets globally

Cryptocurrency and digital asset exchanges (CEX's, DEX's) on which cryptocurrencies and other digital assets trade are relatively new and, in some cases, unregulated. While some CEX's provide information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many other exchanges do not or operate in jurisdictions that are opaque. DEX's by design do not have identifiable owners and can be impacted by a variety of technical and political risks. As a result, the marketplace may lose confidence in these exchanges, including prominent exchanges that handle a significant volume of trading in these assets. In recent years, there have been a number of cryptocurrency and digital asset exchanges that have closed because of fraud, business failure or security breaches. Additionally, larger cryptocurrency and digital asset exchanges have been targets for hackers and malware and may be targets of regulatory enforcement actions. A lack of stability in these exchanges, and their temporary or permanent closure, may reduce confidence in the digital asset marketplace in general and result in greater volatility in the price of digital assets. These potential consequences could, indirectly, materially and adversely affect the value of Liquid Meta's shares.

Impermanent Loss

Impermanent loss occurs when the mathematical formula adjusts the asset ratio in a pool to ensure they remain 50:50 in terms of value and the liquidity provider loses out on gains from a deposited asset that outperforms the other in the same Liquidity Pair.

Liquidation Risk

Liquidation normally occurs when a user's collateral is insufficient to cover the amount of their loan. This can result in a liquidation penalty charged to the collateral which occurs if the collateral value decreases or the loan value increases. Liquid Meta may have exposure to leveraged digital asset loans and could face potential losses from liquidations.

Smart Contract Risks

Smart contracts are a secure and reliable way of processing various deals and transactions. They assist in fighting corruption and avoiding human error as everything is carried out automatically in accordance with the terms and conditions provided to the smart contract in advance. However, like other computer code, smart contracts may contain errors in composition that leave them vulnerable to potential exploits. Smart contract exploits are a popular attack vector within the DeFi ecosystem for hackers or malicious developers to withdraw money from the project and/or liquidity pool. In such cases, Liquid Meta may be exposed to potential losses if its digital assets are interacting with smart contracts subject to exploitation.

High Gas Fees (Transaction Fees)

High transaction fees on DeFi platforms and DEX's can erode returns and make it difficult for smaller users to successfully and profitably provide liquidity to LP's. Transaction fees specifically on the Ethereum network have been on the rise in recent months making the deployment of liquidity by the casual, smaller user more difficult.

Average Percentage Yield (APY) Erosion

There is no guarantee that APY's currently available in the ecosystem continue to be attractive long term. There is a possibility that that APY's contract substantially and our expectations and revenue opportunities could be substantially negatively impacted in the future.

Stable coins form a material portion of the trading and transactions in DeFi as well as trading activity generally

Stable coins, such as Tether and USDC, form a substantial part of the digital asset markets and are relatively early in their development. Stable coins purportedly are reserve-backed, but there has been uncertainty regarding their assets as well as potential for regulatory actions that could impact the value of the tokens. Stable coins could be adversely impacted and lose their pegged value to a U.S. dollar causing major disruptions in the digital asset market generally and to Liquid Meta specifically. Due to their size (by market capitalization), their volumes (as trading pairs), and Liquid Meta's reliance on them for liquidity mining and as a stable asset on the balance sheet, stable coins representing a substantial risk to Liquid Meta's operations should there be negative changes from a technical, political, or regulatory point of view.

Flash Loan Attacks

Flash loan attacks are a type of exploit where a cyberthief takes out a flash loan - a type of smart contract based undercollateralized loan available on various DeFi protocols where the borrower must pay back the loan before the transaction ends - and manipulates the market to their benefit or is able to steal digital assets by exploiting certain rules within the smart contracts or their interactions with each other. These flash loan attacks can render protocols, applications, or their associated tokens and liquidity pools permanently impaired or abandoned resulting in significant losses to users. Liquid Meta may face situations where its assets are exposed to protocols that are victim to flash loan attacks and such exploits could have a material adverse effect on Liquid Meta's business and results from operations. There can be no assurance that Liquid Meta will be able to successfully protect itself from flash loan attacks.

Liquid Meta can be exposed to protocols and applications that are fraudulent due to open-access nature of the sector

A common type of fraud in DeFi is known as a "rug pull". These malicious maneuvers occur when a project is created, tokens are listed, and liquidity is created to attract user attention. These types of fraud are similar to "pump and dump" style schemes within traditional finance and can render a digital asset worthless once liquidity is pulled from the trading pair.

Protocol Abandonment or lack of continued activity

There is no guarantee that any protocol or application accessed by Liquid Meta will continue to grow or improve over time due to the open-source and community led nature of DeFi projects generally. Liquid Meta depends on a variety of blockchains and products built on top of these blockchains that it cannot control. Should there be material changes in the existing or future operating norms of a variety of projects, Liquid Meta's business could be materially adversely affected.

Lack of Governance or Poor Governance Standards on Protocols

Many protocols are subject to evolving governance practices. In some cases protocol governance can be highly centralized, poorly governed, or lack any appropriate or material governance at all. As an evolving area of the sector, governance standards and practices could have material adverse effects on Liquid Meta's operations should protocol decisions be unfavorable to Liquid Meta's business operations.

Protocol Rewards May be Worthless

In certain circumstances, Liquid Meta may earn revenues derived from protocol incentives and rewards in the base protocols own digital asset. There is no guarantee that these rewards will have any material value or that a market to trade them will exist. In such cases, Liquid Meta would not be able to liquidate such digital assets and may recognize no revenues from their accumulation.

Decentralized Finance May Not Grow or be Adopted Over Centralized Services or Traditional Financial Services

While the DeFi sector has grown exponentially, it is still early in development and its life cycle. There is no guarantee that DeFi can grow to be a viable alternative to more traditional centralized exchanges or

traditional financial services offerings. The continued growth and application of blockchain technology, distributed applications, and crypto assets represents a paradigm shift in the broader financial and technological landscape that is subject to a number of factors that are difficult to evaluate, including:

- many blockchain networks are undergoing software upgrades or other significant changes, which has the potential to introduce vulnerabilities, security risks, or produce other negative effects on a given network;
- if network rewards and transaction fees for validators or miners on a given network are not sufficient to sustain and attract new validators and miners, a network's ability to secure transactions and process new transactions rapidly may be adversely affected, which could subsequently impact the crypto assets built or trading on that network;
- many crypto assets have concentrated ownership that allows a small number of asset owners to have significant influence and control over decisions regarding the network, specifically pertaining to governance, as well as influence over the pricing of the asset;
- there are many networks actively working to improve certain aspects of the network, such as scalability, decentralization, and security, which if not successfully addressed could affect adoption rates and usage of the network;
- many decentralized finance protocols have limited operating histories an and are undergoing significant developments or changes that affect key aspects of the protocol and subsequent tokens relying on the protocol. If these developments are not successful, this could adversely affect the underlying network and crypto assets operating on the network; and
- decentralized finance is currently undergoing a migration to Layer 2 solutions, which may prove unsuccessful and result in the loss of investor's funds, damaging the reputation of decentralized finance and inhibiting continued adoption of the technology.

Should DeFi not continue to grow and increase in adoption and usage, Liquid Meta's business may be adversely affected and it may be subject to substantial losses.

Liquid Meta's use of proprietary and non-proprietary software and intellectual property may be subject to substantial risk.

Liquid Meta may rely heavily on the use of proprietary and non-proprietary software, data and intellectual property of third parties in the digital asset sector. The operation of any element of a digital asset network, or any other electronic platform, may be severely and adversely affected by the malfunction of technology. For example, an unforeseen software or hardware malfunction could occur as a result of a virus or other outside force, or as result of a design flaw in the design and operation of the network or platform. In addition, the technology we may use could be inactive for periods of time, known as "downtime". In the event that proprietary or non-proprietary software of intellectual property is not available to Liquid Meta, Liquid Meta's business could be temporarily interrupted. Further, if Liquid Meta's software, hardware, data or other intellectual property is found to infringe on the rights of any third party, the underlying value of the assets of Liquid Meta could be materially and adversely affected. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in a digital asset network's long-term viability or the ability of end-users to hold and transfer digital assets may adversely affect the value of these assets. Additionally, a meritorious intellectual property claim could prevent Liquid Meta's and other end-users from accessing various networks or holding or transferring their digital assets.

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.

Subsequent Events

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 are expire on March 23, 2027. The vesting schedule is the following:

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

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 have resumed trading activities The funds that have been 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 price of these assets.

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

Per the Binance and Sky Mavis press release dated April 6, 2022, Sky Mavis successfully raised $150M from lead investors in order to return some of the funds that were stolen as a result of the hack. Additionally, they disclose that they are committed to returning all of the funds that were compromised.

Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A.