

LIQUID META CAPITAL HOLDINGS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in US dollars)

For the three months ended August 31, 2022 and 2021

LIQUID META CAPITAL HOLDINGS LTD.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at August 31, 2022 and May 31, 2022

(Unaudited - Expressed in US dollars)

	Notes	As at August 31, 2022	As at May 31, 2022
		$	$
Assets			
Current			
Cash and cash equivalents			
Restricted	7	6,867,258	-
Non-restricted	7	1,154,041	418,061
Due from broker	7	1,270,747	-
USD coin	7, 9	569,548	20,078,344
Receivable from decentralized platforms	7, 9	28,877,874	1,365,211
Digital assets	8, 9	745,374	13,120
Amounts receivable	7	1,513	1,515
Prepaid expenses		72,961	100,242
Total current assets		**39,559,316**	**21,976,493**
Non-current assets			
Equipment	5	7,674	2,983
Total non-current assets		**7,674**	**2,983**
Total assets		**39,566,990**	**21,979,476**
Liabilities			
Current			
Accounts payable and accrued liabilities	6, 7	483,933	447,493
Digital assets sold short	7	1,086,327	-
Digital asset loans payable - USD coin	7, 10	2,025,566	-
Digital asset loans payable	10	14,949,061	-
Total liabilities		**18,544,887**	**447,493**
Shareholders' equity			
Share capital	4	24,505,884	24,505,884
Options reserve	4	3,377,376	3,101,900
Warrants reserve	4	1,211,058	1,164,492
Accumulated deficit		(8,072,215)	(7,240,293)
Total shareholders' equity		**21,022,103**	**21,531,983**
Total liabilities and shareholders' equity		**39,566,990**	**21,979,476**

Subsequent events (note 12)

These condensed interim financial statements were approved for issuance on October 14, 2022 by the Board of Directors and signed on its behalf by:

/s/ Jonathan Wiesblatt (signed)
CEO

/s/ Sendy Shorser (signed)
CFO

For the three months ended	Notes	August 31, 2022	August 31, 2021
		$	$
Revenues			
Net changes in fair value of receivable from decentralized platforms		**372,249**	**499,975**
Reward tokens		*184,228*	*176,600*
Staking		*12,330*	*22,375*
Trading fee		*224,882*	*-*
Realized and unrealized gains/(losses)		*(49,191)*	*301,000*
Net changes in fair value of digital assets sold short	11	**(171,501)**	**(304,845)**
		200,748	**195,130**
Expenses			
Share based compensation	4, 6	(322,042)	(71,998)
Professional fees	6	(253,112)	(114,180)
Advertising, marketing and investor relations		(23,321)	(1,813)
General and administrative expenses		(211,551)	(2,074)
Information technology		(46,446)	(21,897)
Research and development		(107,679)	(5,667)
Direct transaction costs		(72,339)	(24,505)
Depreciation	5	(807)	(233)
Exchange gain (loss)		4,627	(44,959)
		(1,032,670)	**(287,326)**
Net loss and comprehensive loss		**(831,922)**	**(92,196)**
Basic loss per common share		**(0.02)**	**(0.00)**
Diluted loss per common share		**(0.02)**	**(0.00)**
Weighted average number of common shares outstanding - basic		**53,837,246**	**29,999,477**
Weighted average number of common shares outstanding - diluted		**53,837,246**	**29,999,477**

LIQUID META CAPITAL HOLDINGS LTD.

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended August 31, 2022 and 2021

(Unaudited - Expressed in US dollars)

	Notes	Share capital		Reserves		Deficit	Total
		Number of shares	Amount	Options	Warrants		
		#	$	$	$	$	
Balance as at May 31, 2021	4	11,601,623	2,129,031	83,410	36,786	(165,605)	2,083,622
Share based compensation	4	-	-	16,791	55,207	-	71,998
Net loss and comprehensive loss for the period		-	-	-	-	(92,196)	(92,196)
Balance as at August 31, 2021		11,601,623	2,129,031	100,201	91,993	(257,801)	2,063,424

	Notes	Share capital		Reserves		Deficit	Total
		Number of shares	Amount	Options	Warrants		
		#	$	$	$	$	
Balance as at May 31, 2022	4	53,837,246	24,505,884	3,101,900	1,164,492	(7,240,293)	21,531,983
Share based compensation	4	-	-	275,476	46,566	-	322,042
Net loss and comprehensive loss for the period		-	-	-	-	(831,922)	(831,922)
Balance as at August 31, 2022		53,837,246	24,505,884	3,377,376	1,211,058	(8,072,215)	21,022,103

For the three months ended	Notes	August 31, 2022	August 31, 2021
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(831,922)	(92,196)
Adjustments for non-cash items:			
Share based compensation	4	322,042	71,998
Depreciation	5	807	233
Net changes in fair value of receivable from decentralized platforms		372,249	499,975
Changes in non-cash working capital:			
Due from broker		(1,270,747)	(404,609)
USD coin		10,660,888	(7)
Receivable from decentralized platforms		(4,086,582)	(1,551,932)
Digital assets	8, 9	(15,682,676)	(790,462)
Amounts receivable		2	-
Prepaid expenses		27,281	-
Accounts payable and accrued liabilities		36,440	458,920
Digital assets sold short	7	1,086,327	-
Digital asset loans payable – USD coin	7, 10	2,025,566	85,500
Digital asset loans payable	10	14,949,061	130,423
		7,608,736	**(1,592,156)**
CASH FLOWS FROM INVESTING ACTIVIITY			
Purchase of equipment	5	(5,498)	-
Net (increase)/decrease in cash and cash equivalents		7,603,238	(1,592,156)
Cash and cash equivalents, beginning of period		418,061	2,176,609
Cash and cash equivalents, end of period		**8,021,0299**	**584,453**

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.

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

2. BASIS OF PRESENTATION

Basis of preparation

These Unaudited Interim Condensed Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and interpretations of the IFRS Interpretation Committee. Accordingly, certain disclosures included in the annual financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted and these Unaudited Interim Condensed Financial Statements should be read in conjunction with the Company's Audited Financial Statements for the year ended May 31, 2022.

Basis of measurement

These Unaudited Interim Condensed Financial Statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. Significant accounting policies

1) Borrowing of digital assets

The Company enters into arrangements with counterparties to borrow digital assets. The Company recognizes the digital assets borrowed at fair value on the date the asset is received and records a corresponding obligation to return the borrowed asset in the same amount within digital asset loans payable on the Unaudited Condensed Interim Statement of Financial Position. Digital asset loans payable in cryptocurrencies other than USD coin are subsequently measured at fair value through profit or loss, and changes in fair value are recognized in profit or loss. The digital assets received from borrowing transactions are accounted for as inventory, and changes in fair value less costs to sell are recognized in profit or loss. Digital assets borrowed are included within digital assets on the Unaudited Condensed Interim Statement of Financial Position. The obligation is fulfilled by returning digital assets in accordance with the contractual terms of the borrowing agreements.

2) In addition to the significant accounting policies noted above, these Unaudited Interim Condensed Financial Statements and the accompanying notes were prepared using the accounting policies described in Note 3 of the Company's Audited Financial Statements for the year ended May 31, 2022.

3) *Newly adopted standards, amendments and interpretations*

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on June 1, 2022 that have a material effect on the Unaudited Condensed Interim Financial Statements of the Company.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after June 1, 2022, and have not been early adopted in preparing these Unaudited Condensed Interim Financial Statements. None of these are expected to have a material effect on the Unaudited Condensed Interim Financial Statements of the Company.

These Unaudited Interim Financial Statements were approved and authorized for issuance by the Board of Directors on October 14, 2022.

4. SHAREHOLDERS' EQUITY

(a) Authorized share capital

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

(b) Shares issued

There were no shares issued during the three months ended August 31, 2022.

(c) Stock options

The movement in stock options for three months ended August 31, 2022 is summarized as follows:

	Outstanding	Weighted average exercise price
	#	$
Balance, May 31, 2021	300,000	0.75
Pre RTO options revised	(300,000)	(0.75)
Outstanding as of December 17, 2021	-	-
Options granted	775,755	0.29
Granted post RTO	4,125,000	1.00
Balance, May 31, 2022	**4,900,755**	**0.89**
Options granted	50,000	1.00
Balance, August 31, 2022	**4,950,755**	**0.89**

There were no options that expired, forfeited or were exercised during the three months ended August 31, 2022

The following table is a summary of the Company's options outstanding as at August 31, 2022:

As at August 31, 2022		
Outstanding	**Exercise price**	**Expiry date**
#	$	
775,755	0.29	May 31, 2026
2,900,000	1.00	December 17, 2026
400,000	1.00	June 22, 2022
100,000	1.00	October 25, 2026
400,000	1.00	January 9, 2027
100,000	1.00	January 30, 2027
225,000	1.00	March 23, 2027
50,000	1.00	July 5, 2027
4,950,755	**0.89**	

For the three months ended August 31, 2022, the Company recorded share-based compensation expense of $275,476 on stock options and $3,377,376 was cumulatively recognized in options reserve as at that date.

(d) Warrants

The movement in warrants for three months ended August 31, 2022 is summarized as follows:

	Outstanding	Weighted average exercise price
	#	$
Balance, May 31, 2021	279,856	0.73
Pre RTO warrants revised	(279,856)	(0.73)
Outstanding as of December 17, 2021	-	-
Warrants granted	723,651	0.28
Granted post RTO	1,081,992	1.00
Exercised	(209,406)	0.28
Balance, May 31, 2022	**1,596,237**	**0.77**
Warrants granted	-	-
Balance, August 31, 2022	**1,596,237**	**0.77**

The following table is a summary of the Company's warrants outstanding as at August 31, 2022:

As at August 31, 2022		
Outstanding	**Exercise price**	**Expiry date**
#	$	
437,044	0.28	May 1, 2026
77,201	0.28	May 1, 2023
1,081,992	1.00	December 17, 2023
1,596,237	**0.77**	

For the three months ended August 31, 2022, the Company recorded share-based compensation expense of $46,566 on warrants and $1,211,058 was cumulatively recognized in warrants reserve as at that date.

5. EQUIPMENT

Equipment is as follows:

Cost	**$**
Balance, May 31, 2021	**2,798**
Additions	1,387
Balance, May 31, 2022	**4,185**
Additions	5,498
Balance, August 31, 2022	**9,683**
Accumulated amortization	
Balance, May 31, 2021	**-**
Charge for the period	1,202
Balance, May 31, 2022	**1,202**
Charge for the period	807
Balance, August 31, 2022	**2,009**
Net book value:	
As at August 31, 2021	**2,983**
As at August 31, 2022	**7,674**

6. RELATED PARTY

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) Accounts payable and accrued liabilities include amounts payable to related party as below:

Payable to	**As at August 31, 2022**	**As at August 31, 2021**
Officers of the Company	48,800	78,601
Shareholder*	16,544	16,544
TOTAL PAYABLE	**65,344**	**95,145**

*Payable to a shareholder who has 27.84% of the Company's shares in exchange for USD coin and SOL digital currency

b) Included in professional fees for the three months ended August 31, 2022, is $139,523 (August 31, 2021 - $93,594) incurred with the officers of the Company.

c) Included in the share-based compensation for the three months ended August 31, 2022, is $245,738 (August 31, 2021 – Nil) incurred with directors and officers of the Company.

7. FINANCIAL INSTRUMENTS

	As at August 31, 2022	As at May 31, 2022
Financial assets, FVTPL, measured at fair value		
Receivable from decentralized platforms*	28,877,874	1,365,211
Financial assets, measured at amortized costs		
Cash and cash equivalents		
Restricted	6,867,258	-
Non-restricted	1,154,041	418,061
Amounts receivable	1,513	1,515
USD coin	569,548	20,078,344
Due from broker	1,270,747	-
Financial liabilities, FVTPL, measured at fair value		
Digital asset loans payable	14,949,061	-
Financial liabilities, measured at amortized costs		
Accounts payable and accrued liabilities	483,933	447,493
Digital asset loans payable – USD coin	2,025,566	-
Digital assets sold short	1,086,327	-

*"Receivable from decentralized platforms" includes $7,843,505 worth of USD coin which is used as collateral within various decentralized applications.

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. There are no financial instruments measured at fair value which are classified 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). Receivable from decentralized platforms and USD coin as indicated in the statement of financial position are classified as 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:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The maximum exposure to credit risk at the reporting date to recognized financial assets is the carrying amount of cash and cash equivalents, USD coin, receivable from broker and receivable from decentralized platforms as disclosed in the statement of financial position. The Company does not hold any collateral.

The Company manages credit risk, in respect of cash and cash equivalents, by maintaining bank accounts at highly rated financial institutions. The Company performs due diligence checks before investing in any decentralized platforms. As at August 31, 2022 and May 31, 2022, these financial assets are not impaired.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. In addition, as outlined above the daily liquidity management function monitors and manages amounts deposited with digital asset custodians.

As at August 31, 2022, the Company had working capital of $21,014,429 (As at May 31, 2022 - $21,529,000)

(c) 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: foreign currency risk, interest rate risk and price risk. These are discussed further.

I. 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 has leverage facilities in place and its digital asset loans payables in various digital assets come with a rate of interest ranging from 2.8% to 25.9% annually. The Company's digital asset loans payable in various digital assets can be settled in digital assets at the option of the borrower. As of August 31, 2022, the Company's interest-bearing financial instruments is limited to its cash and cash equivalents and digital asset loans payable in USD coin and other crypto currencies. An increase of interest rates by 10% with all other variables remaining constant, would result in an increase by $1,697,463.

II. Foreign 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. 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. Had the United States dollar strengthened or weakened by 1% in relation to all currencies as at May 31, 2022, with all other variables remaining constant, net loss and comprehensive loss for the period would have increased or decreased by $82 (May 31, 2022 - $21).

III. 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.

Receivable from decentralized platforms includes underlying digital assets with prices that are volatile and affected by various factors including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Supply and demand for such assets rapidly change from time to time affecting by regulations and general economic trends. A decline in the market prices of digital assets could impact the Company's future operations. The management of the Company constantly monitors the exposure in response to the market conditions.

The Company shorts the contracts underlying of digital assets inventory on exchanges to minimize the value fluctuation of receivable from decentralized platforms. The Company is exposed to price risk on receivable from decentralized platforms. Had the value of receivable from decentralized platforms increased or decreased by 10% as at August 31, 2022, with all other variables remaining constant, net loss and comprehensive loss for the period would have increased or decreased by $2,887,787 (May 31, 2022 - $1,365,211)

8. DIGITAL ASSETS

Digital assets classified as Inventories ("IAS 2") are measured at fair value less cost to sell changes in fair value recognized in profit or loss. The balance of digital assets as at the August 31, 2022 and 2021 are as follows:

	August 31, 2022	August 31, 2021
	$	$
Digital assets	745,374	13,120

9. DIGITAL ASSETS RISK

Access to digital assets can be disrupted by a number of matters including:

- Loss of access risk, such as to private keys;
- Irrevocable transactions given that transactions cannot be changed or corrected once a transaction has been verified and recorded on the blockchain;
- Fluctuations in digital asset prices due to global forces, interest rate, exchange, inflation, political/economic conditions;
- Vulnerability of crypto networks to hacking; and
- Unregulated crypto exchanges.

(a) Smart contract risk

DeFi, in several ways, substitutes custodial risk prevalent with centralized finance platforms with smart contract risk, allowing hackers and attackers to seize funds and tokens escrowed in smart contracts. Smart contracts are constantly exploited across the blockchain ecosystem, with hackers taking advantage of flaws in the code. DeFi smart contracts are managed using admin keys. These allow the key holder to make significant changes to the code, such as protocol upgrades. One way cyberattacks occur is when hackers gain control of private or admin keys, allowing them to deplete all or some of the liquidity within pools of certain projects, among others.
As at August 31, 2022, the smart contract risk is limited to the receivable from decentralized platforms of $28,877,874 (May 31, 2022–1,365,211).

(b) Reliance on Decentralized Exchanges (DEXs)

As a liquidity provider on a variety of decentralized protocols and applications, Liquid Meta is dependent on these public DEXs in the normal course of business. There is no guarantee that DEXs will 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 DEXs. There is also no certainty as to the future regulatory environment regarding DEXs or DeFi and any adverse changes could substantially impact our ability to conduct our business.

(c) Reliance on Centralized Exchanges (CEXs)

As a liquidity provider to DeFi projects and platforms, Liquid Meta relies on centralized exchanges such as Kraken, FTX and Binance. It is necessary for exchanging capital with the Company's traditional banking partners. The Company exchanges 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 CEXs. Liquid Meta is reliant on these CEXs for the exchange of fiat/digital assets and at times the custodial services they provide for capital not being deployed on the DEXs. Any change to the CEXs 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.

(d) Price risk relating to digital assets

Digital asset prices are volatile and affected by various factors including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Supply and demand for such assets rapidly change from time to time affecting by regulations and general economic trends. A decline in the

market prices of digital assets could impact the Company's future operations. The management of the Company constantly monitors the exposure in response to the market conditions.

As at August 31, 2022, if the prices of digital assets (excluding USD coin and receivable from decentralized platforms) held by the Company had decreased by 10% in the principal markets with other variables held constant, the impact on net loss and comprehensive net loss arising from changes in fair value of digital assets receivable from decentralized platforms) would have been $74,537 lower (As at May 31, 2022 – 1,312). If the prices of digital assets (excluding USD Coin and receivables from decentralized platforms) had been 10% higher and all other variables were held constant, net loss and comprehensive loss for the period would increase by $74,537 (As at May 31, 2022 – 1,312).

10. DIGITAL ASSET LOANS PAYABLE

As at August 31, 2022, the Company's outstanding digital asset loans payable to lenders carried gross lending rates predominantly ranging between 2.8% to 25.9%. The Company uses the loans received to stake and receive yields in various applications. The Company's loan portfolio is made up of callable (open-term) loans and become callable automatically if the collateral drops below the threshold balance. For the Company's callable loans, there is no set term, and the Company can prepay without penalty.

Majority of the loans are collateralized by over 100% of the loan value in either US dollars or select cryptocurrencies. Cash and cash equivalents and USD coin included in "Receivables from decentralized applications" are used as collateral and such collateral are presented as "restricted cash" in the statement of financial position and disclosed in note 7 respectively.

11. NET CHANGES IN FAIR VALUE OF DIGITAL ASSETS SOLD SHORT

During the three months ended August 31, 2022 and 2021 components of revenue earned from contracts sold short are:

	August 31, 2022	August 31, 2021
	$	$
Realized loss from contracts sold short	(355,921)	(253,225)
Unrealized (loss) gain, net	184,420	(51,620)
	(171,501)	**(304,845)**

12. SUBSEQUENT EVENTS

(a) Stock option issuance

On September 12, 2022, the Company issued 100,000 options at an exercise price of US $0.80 to an employee. The options expire on September 12, 2027. The vesting schedule is as follows:

- 25,000 options shall vest on December 12, 2022;
- 25,000 options shall vest on September 12, 2023;
- 25,000 options shall vest on September 12, 2024; and
- 25,000 options shall vest on September 12, 2025.

(b) Security incident – Mango Markets

Mango platform was the 2nd largest lending platform in Solana's ecosystem.

On October 11, 2022, the decentralized finance platform Mango Markets announced a security breach whereby there was an oracle price manipulation, resulting in a loss of approximately $104 M worth of assets. The attacker was able to temporarily drive up the value of their collateral and then took out loans from the Mango treasury. The assets compromised includes USD coin, Solana (SOL), Marinade Staked SOL(MSOL), Bitcoin (BTC), USDT, Serum (SRM) and Mango (MNGO).

Liquid Meta had approximately 10% ($2,110,899 in the form of USD coin) of the Company's total liquidity deployed on Mango Markets in one of the lending pools which was impacted by the security incident. This is in line with the Company's ongoing deployment strategy and internal risk criteria and management is closely monitoring next steps regarding the breach. As part of the resolution with the hacker, the Mango Decentralized Autonomous Organization (DAO) has made a proposal to the hacker with the following terms: 1. To return a total of $70 M of the assets drained from the pool on Mango Markets 2. Return $8 M of these assets upfront to the DAO as a sign of good faith and 3. Upon successful approval of the vote by Mango governance token holders on the said proposal the hacker is to return the remaining $62 M of funds.

On the morning of October 14th, the DAO had exceeded the threshold of votes to approve the proposal and $8 M of the drained funds were returned to the DAO's wallets. The remaining $62 M of funds were returned to Mango on Oct. 15th.

Liquid Meta's management team has not received its pro-rata share of the funds that were compromised but it believes that it will receive most or all these funds in due course.