

LIQUID META CAPITAL HOLDINGS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in US dollars)

For the three months and nine months ended February 28, 2023 and 2022

LIQUID META CAPITAL HOLDINGS LTD.

Condensed interim statements of financial position
As at February 28, 2023 and May 31, 2022
(Unaudited - Expressed in US dollars)

	Notes	As at February 28, 2023	As at May 31, 2022
		$	$
Assets			
Current			
Cash and cash equivalents	7	15,332,037	418,061
USD coin	7	1,765	20,078,344
Receivable from decentralized platforms	7, 9	-	1,365,211
Digital assets	8, 9	40,747	13,119
Amounts receivable	7, 12	52,009	1,515
Prepaid expenses		80,908	100,242
Total current assets		**15,507,466**	**21,976,492**
Non-current assets			
Equipment	5	6,060	2,983
Total non-current assets		**6,060**	**2,983**
Total assets		**15,513,526**	**21,979,475**
Liabilities			
Current			
Accounts payable and accrued liabilities	6, 7	438,144	447,492
Digital asset loans payable - USD coin	7, 10	7,566	-
Total liabilities		**445,710**	**447,492**
Shareholders' equity			
Share capital	4	24,505,884	24,505,884
Options reserve	4	3,454,024	3,101,900
Warrants reserve	4	1,230,322	1,164,492
Accumulated deficit		(14,122,414)	(7,240,293)
Total shareholders' equity		**15,067,816**	**21,531,983**
Total liabilities and shareholders' equity		**15,513,526**	**21,979,475**

Subsequent events (note 13)

These condensed interim financial statements were approved for issuance on April 14, 2023 by the Board of Directors and signed on its behalf by:

/s/ Jonathan Wiesblatt (signed)
CEO

/s/ Sendy Shorser (signed)
CFO

LIQUID META CAPITAL HOLDINGS LTD.

Condensed interim statements of loss and comprehensive loss
For the three and nine months ended February 28, 2023 and 2022
(Unaudited - Expressed in US dollars)

		For the three months ended February 28,		For the nine months ended February 28,	
	Notes	2023	2022	2023	2022
		$	$	$	$
Revenues					
Net changes in fair value of receivable from decentralized platforms		**(83,825)**	**(2,306,338)**	**(395,626)**	**(1,630,135)**
Reward tokens		*4,305*	*553,214*	*386,886*	*894,184*
Staking		*1,096*	*57,674*	*136,613*	*103,907*
Trading fee		*3,170*	*498,059*	*233,251*	*498,059*
Realized and unrealized gains/(losses)		*(92,396)*	*(3,415,285)*	*(1,152,376)*	*(3,126,285)*
Net changes in fair value of digital assets sold short	10	**23,796**	**1,920,199**	**(184,407)**	**1,588,983**
Other Revenue	12	**165,534**	**-**	**166,528**	**-**
Loss from Entity Exposures	11	**-**	**-**	**(3,912,599)**	**-**
		105,505	**(386,139)**	**(4,326,104)**	**(41,152)**
Expenses					
Share based compensation	4, 6	(103,156)	(2,263,372)	(417,954)	(2,355,905)
Listing Expenses		-	(1,251,234)	-	(1,251,234)
Professional fees	6	(230,078)	(197,336)	(759,589)	(305,535)
Advertising, marketing and investor relations		(6,782)	(185,442)	(44,461)	(200,933)
General and administrative expenses		(77,327)	(187,134)	(504,177)	(378,590)
Information technology		(34,066)	(30,946)	(122,292)	(75,804)
Research and development		(30,835)	(12,000)	(296,125)	(25,167)
Direct transaction costs		(3,791)	(22,079)	(353,348)	(53,067)
Penalties and Settlements		(60,877)	-	(60,877)	-
Depreciation	5	(807)	(349)	(2,421)	(854)
Exchange gain (loss)		1,539	(3,625)	5,227	(48,837)
		(546,180)	**(4,153,517)**	**(2,556,017)**	**(4,695,926)**
Net loss and comprehensive loss		**(440,675)**	**(4,539,656)**	**(6,882,121)**	**(4,737,078)**
Basic loss per common share		**(0.09)**	**(0.09)**	**(0.13)**	**(0.13)**
Diluted loss per common share		**(0.09)**	**(0.09)**	**(0.13)**	**(0.12)**
Weighted average number of common shares outstanding - basic		**53,837,246**	**49,887,732**	**53,837,246**	**36,613,736**
Weighted average number of common shares outstanding - diluted		**53,837,246**	**51,930,635**	**53,837,246**	**38,079,264**

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

LIQUID META CAPITAL HOLDINGS LTD.

Condensed interim statements of change in shareholders' equity (deficiency)

For the nine months ended February 28, 2023 and 2022

(Unaudited - Expressed in US dollars)

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

		Share capital		Reserves			
	Notes	Number of shares	Amount	Options	Warrants	Deficit	Total
		#	$	$	$	$	$
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	-	-	352,124	65,830	-	417,954
Net loss and comprehensive loss for the period		-	-	-	-	(6,882,121)	(6,882,121)
Balance as at February 28, 2023		53,837,246	24,505,884	3,454,024	1,230,322	(14,122,414)	15,067,816

LIQUID META CAPITAL HOLDINGS LTD.

Condensed interim statements of cash flows
For the nine months ended February 28, 2023 and 2022
(Unaudited - Expressed in US dollars)

For the nine months ended	Notes	February 28, 2023	February 28, 2022
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(6,882,121)	(4,737,078)
Adjustments for non-cash items:			
Share based compensation	4	417,954	2,355,905
Depreciation	5	2,421	854
Net changes in fair value of receivable from decentralized platforms		-	1,586,139
Changes in non-cash working capital:			
Due from broker		-	(4,705,263)
USD coin		20,076,579	-
Receivable from decentralized platforms	7, 9	1,365,211	-
Digital assets		(27,628)	(15,241,995)
Amounts receivable	7, 12	(50,494)	(1,452)
Prepaid expenses		19,334	(202,625)
Accounts payable and accrued liabilities	7	(9,348)	158,155
Digital assets sold short	7, 10	-	6,010,588
Digital asset loans payable – USD coin	10	7,566	-
		14,919,474	**(14,776,772)**
CASH FLOWS FROM INVESTING ACTIVIITY			
Purchase of equipment	5	(5,498)	(1,387)
		(5,498)	**(1,387)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued		-	23,628,389
Warrants exercised		-	58,632
Share issuance cost		-	(1,522,571)
		-	**22,164,450**
Net (increase)/decrease in cash and cash equivalents		14,913,976	7,386,291
Cash and cash equivalents, beginning of period		418,061	2,176,609
Cash and cash equivalents, end of period		**15,332,037**	**9,562,900**

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. On December 21, 2022, the Company announced that it initiated a process to evaluate potential strategic alternatives and that it was pausing the development of its proprietary software and tools to access, automate, and scale operations within the decentralized finance ("DeFi") segment of the cryptocurrency industry. On March 9, 2023, the Company further announced that its Board of Directors had concluded the initial phase of its previously announced strategic review process, as disclosed in the Company's press release dated December 21, 2022. Please refer to "subsequent events note" disclosure (Note 13) for additional details.

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 April 14, 2023.

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 nine months ended February 28, 2023.

(c) Stock options

The movement in stock options for nine months ended February 28, 2023 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	150,000	0.90
Options reversed	(739,741)	0.89
Balance, February 28, 2023	**4,311,014**	**0.89**

There were 739,741 options $(326,812) that were reversed due to resignations or terminations of certain option holders. There were no options exercised during the nine months ended February 28, 2023. The following table is a summary of the Company's options outstanding as at February, 2023:

As at February 28, 2023

Outstanding	Exercise price	Expiry date
#	$	
775,755	0.29	May 31, 2026
2,000,000	1.00	December 17, 2026
400,000	1.00	November 28, 2022
100,000	1.00	September 20, 2022
400,000	1.00	June 22, 2022
63,216	1.00	March 28, 2023
400,000	1.00	January 9, 2027
55,577	1.00	March 28, 2023
56,250	1.00	November 30, 2022
21,787	1.00	February 28, 2023
38,429	0.80	March 28, 2023
4,311,014	**0.89**	

For the nine months ended February 28, 2023, with a reversal of $346,489, the Company recorded net share-based compensation of $352,124 on stock options and $3,454,024 was cumulatively recognized in options reserve as at that date.

(d) Warrants

The movement in warrants for nine months ended February 28, 2023 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, February 28, 2023	**1,596,237**	**0.77**

The following table is a summary of the Company's warrants outstanding as at February 28, 2023:

As at February 28, 2023		
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 nine months ended February 28, 2023, the Company recorded share-based compensation of $65,830 on warrants and $1,230,322 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, February 28, 2023	**9,683**
Accumulated amortization	
Balance, May 31, 2021	**-**
Charge for the period	1,202
Balance, May 31, 2022	**1,202**
Charge for the period	**2,421**
Balance, February 28, 2023	**3,623**
Net book value:	
As at February 28, 2022	**3,332**
As at February 28, 2023	**6,060**

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 February 28, 2023**	**As at February 28, 2022**
Officers of the Company	18,093	33,591
Shareholder*	16,544	16,544
TOTAL PAYABLE	**34,637**	**50,135**

*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 February 28, 2023, is $79,775 (February 28, 2022 - $110,182) incurred with the officers of the Company.

c) Included in the share-based compensation for the three months ended February 28, 2023, is $122,542 (February 28, 2022 – 1,300,855) incurred with directors and officers of the Company.

7. FINANCIAL INSTRUMENTS

	As at February 28, 2023	As at May 31, 2022
Financial assets, FVTPL, measured at fair value		
Receivable from decentralized platforms*	-	1,365,211
Financial assets, measured at amortized costs		
Cash and cash equivalents	15,332,037	418,061
Amounts receivable	52,009	1,515
USD coin	1,765	20,078,344
Financial liabilities, measured at amortized costs		
Accounts payable and accrued liabilities	438,144	447,492
Digital asset loans payable – USD coin	7,566	-

*"Receivable from decentralized platforms" does not include any USD Coin or other digital asset as of February 28, 2023 as collateral within various decentralized applications ($7,843,505 worth of USD coin as of May 31, 2022 is used as collateral).

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 February 28, 2023, the following financial assets were deemed to be impaired:

The Company held assets with the exchange FTX and had net assets exposed totaling $3,912,599 as of November 11 2022, following its bankruptcy filing. This comprised of the following:

	As of November 11, 2022
	$
Assets	
USD	4,860,126
Digital Assets	43,035
	4,930,161
Liabilities	
Digital Loans Payable	990,562
Net Assets	**3,912,599**

The Company has decided to write off the above assets in its accounts at this time, given the uncertainty surrounding both the recoverable amount and its timing.

(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 February 28, 2023, the Company had working capital of $15,061,757 (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 had leverage facilities in place and its digital asset loans payable in various digital assets came with a rate of interest ranging from 2.8% to 25.9% annually. The Company's digital asset loans payable in various digital assets had the option to be settled in digital assets at the option of the borrower. As of February 28, 2023, the Company's interest-bearing financial instruments are limited to its cash and cash equivalents and digital asset loans payable in USD coin and other crypto currencies. There is no significant interest rate risk as the interest-bearing financial instruments were settled as of February 28, 2023.

II. 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. 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 Canadian dollars, the Company held Canadian dollars on an exchange. Had the United States dollar strengthened or weakened by 1% in relation to all currencies as at February 28, 2023, with all other variables remaining constant, net loss and comprehensive loss for the period would have increased or decreased by $7. (May 31, 2021 - $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 February 28, 2023, with all other variables remaining constant, net loss and comprehensive loss for the period would have increased or decreased by $nil (May 31, 2022 - $136,521)

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 February 28, 2023 and May 31, 2022 are as follows:

	February 28, 2023	May 31, 2022
	$	$
Digital assets	40,747	13,119

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 February 28, 2023, the smart contract risk is limited to the receivable from decentralized platforms of $nil. (May 31, 2022–$1,365,211).

(b) Reliance on Decentralized Exchanges (DEXs) BAN

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 February 28, 2023, 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 would have been $4,075 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 $4,075 (As at May 31, 2022 – 1,312).

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

During the three and nine months ended February 28, 2023, and 2022 components of revenue earned from contracts sold short are:

	For the three months ended February 28		For the nine months ended February 28	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Realized loss from contracts sold short	(325,170)	(1,620,489)	184,407	(1,305,325)
Unrealized (loss) gain, net	301,374	(299,710)	-	(283,658)
	(23,796)	**(1,920,199)**	**184,407**	**(1,588,983)**

11. LOSS FROM ENTITY EXPOSURES

Included in 'loss from entity exposure' is $3,912,599 that pertains to the write off of net assets as of November 11, 2022, following FTX's bankruptcy filing. As at the date of approval of this financial statement, the management has no indication of whether or not there is going to be a recovery from FTX.

12. ACCRUED INTEREST

As of February 28, 2023, cash and cash equivalents contained a balance of $15,114,159 that is held as USD Term Deposits. None of the deposits are redeemable and credit with interest at maturity. Included in amounts receivable is interest of $50,498 accrued on deposits that are outstanding but not redeemed as of February 28, 2023. Terms and details of the deposits open as of February 28, 2023 is as follows:

Investment date	Amount invested	Term	Interest rate	Maturity date
	$	Days	% per annum	
January 30, 2023	10,882,309	60	4.75	March 31, 2023
February 6, 2023	2,720,734	30	4.50	March 8, 2023
February 17, 2023	1,511,116	31	4.50	March 20, 2023
	15,114,159			

13. SUBSEQUENT EVENTS

(a) Exploration of Strategic Alternatives

On March 9, 2023, the Board of Directors concluded the initial phase of its strategic review process previously announced on December 21, 2022. As part of its strategic review, the Board of Directors completed a canvas of various strategic alternatives currently available to the Company in order to preserve or maximize shareholder value, including, but not limited to, returning capital to shareholders, the potential sale, merger, divestiture, return of capital, other strategic transactions of the Company, or continuing to operate as an independent public company. Following the completion of the initial phases of its strategic review process, the Board of Directors determined that it is in the best interest of the Company to return capital to its shareholders by way of a reduction in stated capital of the Company. Accordingly, the Company has called a special meeting of shareholders to be held on April 27, 2023 (the "Meeting"). At the Meeting, shareholders will be asked to approve a reduction in the stated capital of the Company, which is currently US$24,505,884, by up to US$10,767,449, pursuant to the *Business Corporations Act* (British Columbia), for the purposes of distributing to the holders of common shares of the Company certain cash on the balance sheet of the Company by way of dividend in the amount of US$0.20 per share (the "Distribution"). The reduction in stated capital and the Distribution are subject to the receipt shareholder and regulatory approvals. There can be no assurances that the reduction in stated capital and Distribution will receive the required approvals, or that the Company will proceed with the Distribution.

The Board of Directors plan to continue its strategic review process in order to further preserve and maximize shareholder value. Other than as described above, the Company has not made any decisions related to other strategic alternatives at this time and there can be no assurance that the continued evaluation of strategic alternatives will result in any strategic alternative, or any assurance as to its outcome or timing.