

LIQUID META CAPITAL HOLDINGS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in US dollars)

For the three and nine months ended February 29, 2024 and February 28, 2023

LIQUID META CAPITAL HOLDINGS LTD.

Condensed interim statements of financial position
As at February 29, 2024 and May 31, 2023
(Unaudited - Expressed in US dollars)

	Notes	As at February 29, 2024	As at May 31, 2023
		$	$
Cash and cash equivalents - Unrestricted	4, 12	3,866,235	4,595,666
Cash held in trust - Restricted	12, 14	1,000,000	-
USD coin		-	1,320
Digital assets - inventories		-	6,845
Amounts receivable	4, 12	44,502	12,066
Prepaid expenses		41,167	56,366
Total current assets		**4,951,904**	**4,672,263**
Non-current assets			
Equipment	5	2,832	5,253
Investments	14	1,000,000	-
Total non-current assets		**1,002,832**	**5,253**
Total assets		**5,954,736**	**4,677,516**
Liabilities			
Current			
Accounts payable and accrued liabilities	12	221,593	213,194
Digital asset loans payable - USD coin	12	-	7,103
Total liabilities		**221,593**	**220,297**
Shareholders' equity			
Share capital	6	13,738,435	13,738,435
Options reserve	6	3,790,954	3,760,150
Warrants reserve	6	1,230,322	1,230,322
Accumulated deficit		(13,026,568)	(14,271,688)
Total shareholders' equity		**5,733,143**	**4,457,219**
Total liabilities and shareholders' equity		**5,954,736**	**4,677,516**

These condensed interim financial statements were approved for issuance on April 12, 2024 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 29, 2024 and February 28, 2023

(Unaudited - Expressed in US dollars)

		For the three months ended		For the nine months ended	
	Notes	**February 29, 2024**	**February 28, 2023**	**February 29, 2024**	**February 28, 2023**
		$	**$**	**$**	**$**
Revenues					
Net realized gain (loss) on digital assets	7	-	271,006	6,433	(697,283)
Net realized gain and revenues earned from providing liquidity in liquidity pools	8	-	(348,707)	200	230,367
Other revenue		88,479	165,534	197,986	166,529
		88,479	**87,833**	**204,619**	**(300,387)**
Expenses					
Professional fees	10	(86,161)	(230,078)	(264,045)	(759,589)
General and administrative expenses		(9,878)	(73,772)	(54,563)	(474,951)
Share-based compensation	6,10	(4,909)	(103,156)	(30,804)	(417,954)
Regulatory Fees		(14,547)	(3,555)	(21,052)	(29,226)
Advertising, marketing, and investor relations		-	(6,782)	(8,241)	(44,461)
Information technology		(1,200)	(34,066)	(3,640)	(122,292)
Depreciation	5	(807)	(807)	(2,421)	(2,421)
Exchange gain (loss)		(8)	1,538	(1,679)	5,227
Direct transaction costs		-	(3,791)	(43)	(47,004)
Recovery (Impairment losses) on financial assets – net	9	-	17,673	1,428,099	(4,025,716)
Research and development		-	(30,835)	-	(296,125)
Interest expense – digital assets		-	-	-	(306,345)
Penalties and settlements		(1,110)	(60,877)	(1,110)	(60,877)
		(118,620)	**(528,508)**	**1,040,501**	**(6,581,734)**
Net Income (loss) and comprehensive income (loss)		**(30,141)**	**(440,675)**	**1,245,120**	**(6,882,121)**
Basic income (loss) per common share		**(0.01)**	**(0.01)**	**0.02**	**(0.13)**
Diluted income (loss) per common share		**(0.01)**	**(0.01)**	**0.02**	**(0.13)**
Weighted average number of common shares outstanding – basic and diluted		**53,837,246**	**53,837,246**	**53,837,246**	**53,837,246**

LIQUID META CAPITAL HOLDINGS LTD.

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

For the nine months ended February 29, 2024 and 2022

(Unaudited - Expressed in US dollars)

	Notes	Share capital		Reserves		Deficit	Total
		Number of shares	Amount	Options	Warrants		
		#	$	$	$	$	$
Balance as at May 31, 2022	6	53,837,246	24,505,884	3,101,900	1,164,492	(7,240,293)	21,531,983
Share-based compensation	6	-	-	353,327	64,627	-	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	3,455,227	1,229,119	(14,122,414)	15,067,817

	Notes	Share capital		Reserves		Deficit	Total
		Number of shares	Amount	Options	Warrants		
		#	$	$	$	$	$
Balance as at May 31, 2023	6	53,837,246	13,738,435	3,760,150	1,230,322	(14,271,688)	4,457,219
Share-based compensation	6	-	-	30,804	-	-	30,804
Net income and comprehensive income for the period		-	-	-	-	1,245,120	1,245,120
Balance as at February 29, 2024		53,837,246	13,738,435	3,790,954	1,230,322	(13,026,568)	5,733,143

LIQUID META CAPITAL HOLDINGS LTD.

Condensed interim statements of cash flows
For the nine months ended February 29, 2024 and February 28, 2023
(Unaudited - Expressed in US dollars)

For the nine months ended	Notes	February 29, 2024	February 28, 2023
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the period		1,245,120	(6,882,121)
Adjustments for non-cash items:			
Share-based compensation	6	30,804	417,954
Depreciation	5	2,421	2,421
Impairment loss on financial assets	9	-	-
Net changes in fair value of receivable from decentralized platforms	8	200	-
Changes in non-cash working capital:			
USD coin		1,320	20,076,579
Receivable from decentralized platforms		-	1,365,211
Digital assets - inventories		6,645	(27,628)
Amounts receivable		(32,436)	(50,494)
Prepaid expenses		15,199	19,334
Accounts payable and accrued liabilities		8,399	(9,348)
Digital asset loans payable – USD coin		(7,103)	7,566
Cash flows from operating activities		**1,270,569**	**14,919,474**
CASH FLOWS FROM INVESTING ACTIVIITY			
Purchase of equipment	5	-	(5,498)
Cash held in trust - Restricted	14	(1,000,000)	-
Investments	14	(1,000,000)	-
Cash flows (used in) investing activities		**(2,000,000)**	**(5,498)**
Net increase (decrease) in cash and cash equivalents		729,431	14,913,976
Cash and cash equivalents, beginning of period		4,595,666	418,061
Cash and cash equivalents, end of period		**3,866,235**	**15,332,037**

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. In May 2023, as part of its Strategic Review, the Board determined that it is desirable and in the best interest of the Company to discontinue the operations of the Company's crypto liquidity business and discontinue the development of the Company's MetaBridge technology, following which the Company will have no active business operations.

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".

On May 29, 2023, an aggregate of 2,000,000 stock options previously held by certain directors, officers, and employees of the Company was cancelled. The cancelled stock options had an exercise price of US$1.00 per share and an expiry date of December 17, 2026.

On May 29, 2023, the Company issued a return of capital, amounting to $10,767,449, to shareholders on record as of May 15, 2023.

On January 17, 2024, the company entered into a binding LOI with Cellview Imaging Inc. regarding the acquisition of all of the issued and outstanding shares of Cellview by the company that would result in a reverse take-over of the company by Cellview. Refer to Note 14 for further details.

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, 2023.

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

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, 2023.

1) 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, 2023, that have a material effect on the Unaudited Condensed Interim Financial Statements of the Company.

A number of new standards, split to standards and interpretations are effective for annual periods beginning after June 1, 2023 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 12, 2024.

4. CASH AND CASH EQUIVALENTS - UNRESTRICTED

	February 29, 2024	May 31, 2023
	$	$
Cash at banks	161,235	45,857
Short-term deposits	3,705,000	4,549,809
	3,866,235	4,595,666

None of the deposits are redeemable and credit with interest at maturity. Included in amounts receivable is interest of $12,372 accrued on outstanding deposits but not redeemed as of February 29, 2024 ($10,555 as of May 31, 2023).

Terms and details of the deposits open as of February 29, 2024 are as follows:

Investment date	Amount invested	Term	Interest rate	Maturity date
	$	Days	% per annum	
February 02, 2024	1,225,000	31	5.36	March 04, 2024
February 09, 2024	2,480,000	90	5.53	May 09, 2024

Terms and details of the deposits open as of May 31, 2023 are as follows:

Investment date	Amount invested	Term	Interest rate	Maturity date
	$	Days	% per annum	
May 10, 2023	2,753,175	61	5.50	July 10, 2023
May 23, 2023	1,528,571	62	5.50	July 24, 2023
May 31, 2023	268,063	30	2.75	June 30, 2023

5. EQUIPMENT

Equipment is as follows:

	February 29, 2024	May 31, 2023
	$	$
Cost		
Balance, beginning of period	9,683	4,185
Additions	-	5,498
Balance, end of the period	**9,683**	**9,683**
Accumulated amortization		
Balance, beginning of period	**4,430**	**1,202**
Depreciation	2,421	3,228
Balance, end of the period	**6,851**	**4,430**
Net book value	**2,832**	**5,253**

6. 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 29, 2024 and the year ended May 31, 2023.

(c) Stock options

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

The movement in stock options for the year ended May 31, 2023 and the nine months ended February 29, 2024 is summarized as follows:

	Outstanding #	**Weighted average exercise price** $
Balance, May 31, 2022	4,900,755	0.89
Options granted	150,000	1.00
Options cancelled and forfeited	(4,275,000)	1.00
Balance, May 31, 2023	**775,755**	**0.29**
Options granted	970,000	0.08
Options cancelled and forfeited	(775,755)	0.29
Balance, February 29, 2024	**970,000**	**0.08**

There were 775,755 options cancelled and forfeited during the nine months ended February 29, 2024 while 4,275,000 options expired and were forfeited during the year ended May 31, 2023. There were no options exercised during the nine months ended February 29, 2024 and the year ended May 31, 2023.

The fair value of the stock options were determined using the Black-Scholes valuation model through a "waterfall" using a series of simultaneous options models.

At the time of issuance, management made the following assumptions: Nil dividends, 156% volatility; risk-free rate 4.10% whereas during 2023, the management made the following assumptions: Nil dividends, 156% volatility; risk-free rate in the range of 1.18% to 3.30%

The following table is a summary of the Company's options outstanding as at February 29, 2024 and May 31, 2023:

As at February 29, 2024			As at May 31, 2023		
Outstanding #	Exercise price $	Expiry date	Outstanding #	Exercise price $	Expiry date
970,000	0.08	August 8, 2028	775,755	0.29	May 31, 2026
970,000			**775,755**		

For the nine months ended February 29, 2024, the Company recorded net share-based compensation of $30,804 on stock options and $3,790,854 was cumulatively recognized in options reserve as at that date. For the year ended May 31, 2023, $658,250 was recognized in options reserve and share-based compensation.

(d) Warrants

The movement in warrants for the year ended May 31, 2023 and the nine months ended February 29, 2024 is summarized as follows:

	Outstanding	Weighted average exercise price
	#	$
Balance, May 31, 2022	1,596,237	0.77
Expired	(77,201)	(0.28)
Balance, May 31, 2023	**1,519,036**	**0.79**
Warrants expired	(1,081,992)	1.00
Balance, February 29, 2024	**437,044**	**0.28**

At the time of issuance, management made the following assumptions: Nil dividends, volatility in the range of 143% to 156%; risk-free rate in the range of 0.66% to 1.19%

The following table is a summary of the Company's warrants outstanding as at February 29, 2024:

As at February 29, 2024			As at May 31, 2023		
Outstanding #	Exercise price $	Expiry date	Outstanding #	Exercise price $	Expiry date
437,044	0.28	May 1, 2026	437,044	0.28	May 1, 2026
			1,081,992	1.00	December 17, 2023
437,044	**0.28**		**1,519,036**	**0.79**	

For the nine months ended February 29, 2024, the Company recorded share-based compensation of $nil on warrants and $1,230,322 was cumulatively recognized in warrants reserve as at that date. For the year ended May 31, 2023, $65,830 was recognized in warrants reserve and share-based compensation.

7. NET REALIZED GAIN (LOSS) ON DIGITAL ASSETS

Components of revenue earned from cryptocurrencies classified as inventory are:

	February 29, 2024		February 28, 2023	
	3 months $	9 months $	3 months $	9 months $
Net realized gain (loss) on sale of digital assets	-	7,281	(19,904)	(797,550)
Unrealized gain (loss) – net	-	(848)	267,114	284,674
Net realized gain (loss) on sale of digital assets sold short	-	-	325,170	(184,407)
Unrealized gain on digital assets sold short – net	-	-	(301,374)	-
	-	6,433	271,006	(697,283)

8. NET REALIZED GAIN (LOSS) AND REVENUES EARNED FROM PROVIDING LIQUIDITY IN LIQUIDITY POOLS

Components of Net realized gain (loss) and revenues earned from providing liquidity in liquidity pools are as follows:

	February 29, 2024		February 28, 2023	
	3 months	9 months	3 months	9 months
	$	$		$
Rewards earned from providing liquidity in liquidity pools	-	-	4,305	386,886
Trading fees	-	-	3,170	233,251
Net realized/unrealized gain (loss) on sale of LP tokens	-	(2,392)	(276,205)	(554,206)
Unrealized gain (loss) on LP/Crema tokens	-	2,592	(81,073)	32,698
Other	-	-	1,096	131,738
	-	200	(348,707)	230,367

9. RECOVERY (IMPAIRMENT LOSSES) ON FINANCIAL ASSETS – NET

	February 29, 2024		February 28, 2023	
	3 months	9 months	3 months	9 months
	$	**$**	**$**	**$**
FTX (losses) recovery	-	1,428,099	-	(3,912,599)
Crema Finance (“Crema”) (gain) losses	-		17,673	(113,117)
	-	1,428,099	17,673	(4,025,716)

On July 2, 2022, a vulnerability in the ticks account caused an exploit on Crema, a decentralized platform. A total of $1,459,227 funds were stolen because of the vulnerability on the platform. Crema repaid 84% of the liquidity funds provided in USD coin and USDT stablecoins to all their liquidity providers proportionately, including Liquid Meta. The remaining 16% was paid back in Crema tokens which vest in equal monthly installments for 12 months starting August 1, 2022.

Accordingly, the Company received 792,579 in USDT and 433,914 in USDC on July 15, 2022 and received 1,907,259 CRM tokens valued at $127,026 during the year ended May 31, 2023, and 381,482 CRM tokens subsequent to May 31, 2023.

In November 2023, Liquid Meta successfully transferred its claim against FTX Trading Ltd. As per the contract, in exchange for Liquid Meta’s net claim for the full value of the loss, Liquid Meta received $1,428,099.

10. 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) Included in accounts payable and accrued liabilities as at February 29, 2024 is Nil (May 31, 2023 is $16,544 - payable to a shareholder who has 27.84% of the Company's shares in exchange for USD Coin and SOL digital currency) and $1,815 payable and accrued to officers of the company as at February 29, 2024 (May 31, 2023 - $48,800).

b) Included in professional fees for the nine months ended February 29, 2024, is $118,198 (February 28, 2023 - $327,640) incurred with the officers of the Company.

c) Included in the share-based compensation for the nine months ended February 29, 2024, is $30,804 (February 28, 2023 – $201,605) incurred with directors and officers of the Company.

d) Included in payroll for the nine months ended February 29, 2024 is $nil incurred with directors and officers of the Company (February 28, 2023 - $138,750)

11. CAPITAL MANAGEMENT

The Company's capital management objectives are to preserve capital, especially during difficult macro-economic environments. The company can at times increase its cash and cash equivalents on its balance sheet to preserve its financial integrity. 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. 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.

12. FINANCIAL INSTRUMENTS

	As at February 29, 2024	As at May 31, 2023
Financial assets, measured at amortized costs		
Cash and cash equivalents	4,866,235	4,595,666
Amounts receivable	44,502	12,066
USD coin	-	1,320
Investments	1,000,000	-
Financial liabilities, measured at amortized costs		
Accounts payable and accrued liabilities	221,593	213,194
Digital asset loans payable – USD coin	-	7,103

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). Restricted cash, receivables from decentralized platforms and USD coin as indicated in the statements 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's level 3 financial instruments are restricted to its investment in the Cellview. This is an investment in the convertible promissory notes of a privately held company that are not quoted on an exchange. The costs approximate the fair values based on a more recent transaction of the investee company with an arms length entity. The management believes that the fair value of the investee has not changed since the investment. (Refer to note 14)

Financial assets and liabilities were classified as follows:

Classification	**IFRS 9**
Cash and cash equivalents	Amortized cost
USD Coin*	Amortized cost
USD Coin*	Amortized cost
Amounts receivable	Amortized cost
Investments	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Digital asset loans payable – USD Coin*	Amortized cost

* USD Coin is classified under IFRS 9 as it is backed by USD reserves.

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.

(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 29, 2024, the Company had working capital of $4,730,310 (As at May 31, 2023 - $4,451,966)

(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's interest-bearing financial instruments is limited to its cash and cash equivalents and therefore is not exposed to significant interest rate risk.

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. 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.

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. The Company shorts the contracts underlying of digital assets inventory on exchanges to minimize the value fluctuation of digital assets and receivable from decentralized platforms. Had the value of the contracts increased or decreased by 10% as at

February 29, 2024, with all other variables remaining constant, net loss and comprehensive loss for the period would have increased or decreased by Nil. (May 31, 2023– $685). The risk associated with USDC pertains to the issuer's (Circle) ability to maintain its current capacity of USD reserves. The reserves are held in USD treasuries so there is minimal risk of being able to convert from USDC to USD at a 1:1 rate.

13. 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.

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 29, 2024 and May 31, 2023, the smart contract risk is limited to the receivable from decentralized platforms of $nil.

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.

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

Liquidation risk

The Company supplied or borrowed digital assets on certain DeFi protocols. These digital assets could fluctuate in value due to the systemic risks of the issuing platforms or market volatility, including the loss of peg of certain pegged assets. This could result in the liquidation or closing of a user's position.
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.

Reliance on Centralized Exchanges (CEXs)

As a liquidity provider to DeFi projects and platforms, Liquid Meta relies on centralized exchanges such as Kraken 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.

14. Investments

On January 17, 2024, the company entered into a binding LOI with Cellview Imaging Inc. regarding the acquisition of all of the issued and outstanding shares of Cellview by the company that would result in a reverse take-over of the company by Cellview ("the Transaction"). Pursuant to the Transaction, the holders of the issued and outstanding Cellview Shares shall receive such number of common shares in the capital of the company for each Cellview Share held such that upon completion of the Transaction, shareholders of Cellview would hold approximately 75% of the issued and outstanding shares of the Resulting Issuer while the shareholders of Liquid Meta would hold approximately 25% of the issued and outstanding shares of the Resulting Issuer, subject to adjustment in certain circumstances.

In connection with the binding LOI, on January 17, 2024, the company advanced a bridge loan of $1,000,000 to Cellview pursuant to the terms of a secured convertible promissory note entered into between Cellview and the company. The Note yields interest at a rate of 15% per annum and the principal and accrued and unpaid interest of this Note will be due and payable 12 months following the date of issuance unless earlier converted into shares in the capital of Cellview upon the completion of certain liquidity events.

Pursuant to the terms of the LOI, the Company further advanced a $1,000,000 disbursement to be held in escrow by an escrow agent, pursuant to the terms of a certain escrow agreement, for a period of 45 days following execution of the LOI to be released to either Cellview or the company upon certain escrow release conditions being satisfied. This is held as restricted cash.

15. Subsequent Events

On March 7, 2024, pursuant to the terms of the binding LOI with Cellview Imaging Inc. and the certain escrow agreement entered into by the company in connection therewith, the $1,000,000 disbursement advanced to the escrow agent was released to Cellview in exchange for the issuance of a subsequent secured convertible promissory note by Cellview. As $1,000,000 was held in escrow by the escrow agent, the company did not disburse any additional capital in relation to this transaction.

Unless earlier converted into shares in the capital of Cellview upon the completion of certain liquidity events, the principal and accrued and unpaid interest of the above Note will be due and payable on January 17, 2025 and yields interest at a rate of 15% per annum.