LIQUID META CAPITAL HOLDINGS LTD

MANAGEMENT DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED FEBRUARY 28, 2023

The following Management's Discussion and Analysis ("MD&A") comments on the unaudited financial condition and results of operations of Liquid Meta Capital Holdings Ltd. ("Liquid Meta" or the "Company") as at and for the three and nine months ended February 28, 2023. All data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. This MD&A should be read in conjunction with Liquid Meta's unaudited financial statements for the three and nine months ended February 28, 2023 (the "Financial Statements"). The results presented in the MD&A are not necessarily indicative of the results that may be expected for any future period.

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

This MD&A is dated April 14, 2023. All amounts are presented in US dollars, unless otherwise noted.

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

Cautionary Note Regarding Forward-Looking Statements

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

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

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

Non-IFRS Measure

The Company has included herein certain supplemental measures of key performance, such as net loss excluding non-cash charges. The term "net loss excluding non-cash charges" refers to new earnings (loss) before share-based compensation. The Company believes that net loss excluding non-cash charges is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration the items listed above. The MD&A presents a net loss excluding non-cash charges, as a non-IFRS financial measure, to assist readers in understanding the Company's performance during the period in discussion herein. Please refer to "Net loss excluding non-cash charge" table on page 6 of this MD&A for a reconciliation of net loss excluding and non-cash charges to the "Issuer's GAAP" (as such term is defined in National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards). This non-IFRS measure does not have any standardized meaning and is therefore unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Corporate Overview and Nature of Business

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

During the nine months ended February 28, 2023, Liquid Meta was a technology-enabled company that was building proprietary software and tools to access, automate, and scale operations within the fast-growing DeFi segment of the blockchain industry. Liquid Meta is a DeFi and Web3 focused company and was developing best-in-class technology and operational expertise allowing it to build a scaled business within proof-of-stake ("PoS") based networks (see "Proof-of-Stake" for more information).

There is a general shift within the blockchain sector towards alternative consensus mechanisms and PoS is the most prominent model. PoS based networks do not have the high capital expenditures, operating costs, and depreciation associated with proof-of-work based networks as there is no need for specific hardware or large energy intensive mining operations. Within these PoS based networks, Liquid Meta's aim was to be a scaled liquidity miner contributing to the infrastructure that powers the open-access and decentralized web.

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

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

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

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. Further, on March 9, 2023, the Company 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" disclosure for additional details

Highlights for the three and nine months ended February 28, 2023

- Total reward tokens, staking and trading fee revenues of $8,571 and $756,750 for the three and nine months ended February 28, 2023, respectively versus $1,108,947 and $1,496,150 for the three and nine months ended February 28, 2022, respectively. Year-over-year losses are 99% and 49% for three and nine months respectively.

- Net revenue was $105,505 and $(4,326,104) for the three and nine months ended February 28, 2023 of which $165,534 pertains to income from Guaranteed Investment Certificates (GICs) and term deposits and $(3,912,599) to "Loss from entities".

- On November 28, 2022, members of the Board of Directors, Stephen Harper, Thomas Kang and David Prussky resigned pursuant to the Corporation's Majority Voting Policy. In order to maintain the composition and independence requirements of the audit committee of the Board of Directors, the Borad of Directors decided to reject David Prussky's resignation.

- On November 30, 2022, Clara Bullrich and Jonathan Weisblatt were appointed as members of the Audit Committee. The members of the current Audit Committee consist of David Prussky (Chair), Clara Bullrich and Jonathan Weisblatt.

- On November 30, 2022, Clara Bullrich and Nicolas del Pino were appointed as members of the Corporate Governance and Compensation Committee. The members of the current Corporate Governance and Compensation committee consist of Clara Bullrich (Chair), David Prussky and Nicolas del Pino.

- Immediately following the announcement by the Company of its initiation of evaluation of potential strategic alternatives on December 21, 2022, Liquid Meta stopped its work on developing the MetaBridge and related tasks pending the conclusion of such evaluation process. The Company also considered taking necessary actions to immediately reduce cash burn.

- Effective, December 1, 2022, the Company reduced its Directors and Officers (D&O) annual insurance premium from approximately US$175,000 to US$84,000

- On January 30, 2023, Nicolas del Pino resigned as Chief Operating Officer ("COO")

Overall Performance, Selected Quarterly Information & Discussion of Operations

- Crypto markets continued to experience the fallout from the credit crisis during calendar Q3/22 which was highlighted by the collapse and bankruptcy filing of FTX, the second largest Centralized Cryptocurrency Exchange globally. The bankruptcy resulted in a contagion effect across the crypto ecosystem resulting in several bankruptcies, lower asset prices, declining yields and an overall lower risk tolerance among most market participants.

- Liquid Meta had contributed a total of $1,459,227 (722,084 USDC and 737,143 USDT) to a position on Crema Finance (“Crema”). On July 2, 2022, a vulnerability in the ticks account caused an exploit on “Crema” and funds were stolen due to such vulnerability. Following the hack, the hacker returned most of the funds (approximately 84%), and the company received 792,579 in USDT and 433,914 in USDC in July. Crema tokens of 2,288,711 equivalent to the remaining funds are agreed to be compensated that vest in equal 30-day installments for 12-months starting August 1, 2022, as in the table below.

Vesting Schedule	Amount
01-Aug-2022	190,725.89
31-Aug-2022	190,725.89
30-Sep-2022	190,725.89
30-Oct-2022	190,725.89
29-Nov-2022	190,725.89
29-Dec-2022	190,725.89
28-Jan-2023	190,725.89
27-Feb-2023	190,725.89
29-Mar-2023	190,725.89
28-Apr-2023	190,725.89
28-May-2023	190,725.89
27-Jun-2023	190,725.89
TOTAL	**2,288,710.68**

  During the three months ended February 28, 2023, the Company successfully received 3 tranches totaling 572,178 Crema finance tokens which were subsequently monetized. During the nine months ended February 28, 2023, the Company successfully received 8 tranches totaling 1,525,807 Crema finance tokens which were subsequently monetized.

- On May 5, 2022, the Company had entered into an agreement to receive loan in US Dollars or digital assets from a related party. In October 2022, the loan was repaid in full.

- In early November 2022, the second largest crypto currency exchange FTX collapsed following a report by market research group CoinDesk highlighting potential leverage and solvency concerns involving FTX-affiliated trading firm Alameda Research. FTX faced a liquidity crisis prompted by a ‘run’ on the platform’s assets. The exchange quickly looked for a capital bailout but was unable to source a capital commitment from any strategic market participants. On November 11, 2022, the company’s founder and CEO stepped down and FTX filed for bankruptcy. The FTX ‘bank-run’, alleged misappropriation of customer deposits and bankruptcy filing was one of the largest and most damaging events in the history of the cryptocurrency industry.

  At the time of the bank-run, Liquid Meta had $4.9M in total deposits on the FTX platform. The company was unable to withdraw its deposits ahead of the halting of activity on the exchange and subsequent bankruptcy. As of November 11, 2022, net assets exposure to FTX was $3.9M that comprised of total assets of 4.9M and total liabilities of $1M. The company will explore all possible opportunities to recover some (or all) of its assets that were compromised in the FTX bankruptcy. The bankruptcy case is underway and assets across many FTX subsidiaries are being sorted through.

- Given the market volatility post the FTX bankruptcy announcement, Liquid Meta quickly unwound most of its DeFi positions, raised cash and removed most of its available capital from all Centralized Crypto Exchanges (CEX's)

- By Dec 01, 2022, most of Liquid Meta's capital was moved to a large, land-based Canadian financial institution. The funds have been held outside of crypto while management and the board of directors completes its Strategic Review Process which was announced on December 21, 2022

- During Q3, on average, the Company held 98.8% of its assets in cash & cash equivalents.

Summary of Financial and Operating Results

Selected financial information of the Company for the three and nine months ended February 28, 2023, is provided below:

	For the three months ended February 28		For the nine months ended February 28	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Net changes in fair value of receivable from decentralized platforms	(83,825)	(2,306,339)	(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 gain/(loss)	(92,396)	(3,415,285)	(1,152,376)	(3,126,285)
Net changes in fair value of digital assets sold short	23,796	1,920,199	(184,407)	1,588,983
Other revenue	165,534	-	166,529	-
Loss from entity exposure	-	-	(3,912,599)	-
	105,505	**(386,139)**	**(4,326,104)**	**(41,152)**
Total expenses	**(546,180)**	**(4,153,517)**	**(2,556,017)**	**(4,695,926)**
Net loss from operations	(440,675)	(4,539,656)	(6,882,120)	(4,737,078)
Basic loss per Share	(0.09)	(0.09)	(0.13)	(0.13)
Diluted loss per Share	(0.09)	(0.09)	(0.13)	(0.12)

The Company reported net revenues for the three and nine months ended February 28, 2023, of $105,505 and $(4,326,104) respectively. Net revenues for three and nine months ended February 28, 2022, were $(386,139) and $(41,152) respectively.

Net operating loss for the three and nine months ended February 28, 2023, was $(440,675) and $(6,882,120) respectively. Net loss for the three and nine months ended February 28, 2022, was $(4,539,656) and $(4,737,078) respectively. Basic and diluted loss per share for the three and nine months ended February 28, 2023, was $0.09 and $0.13 respectively. Basic loss per share for the three and nine months ended February 28, 2022, was $0.09 and $0.13 respectively. Diluted loss per share for the three and nine months ended February 28, 2022, was $0.09 and $0.12 respectively.

Liquid Meta generated revenue from providing liquidity to various proof-of-stake ("PoS") based networks and receives a share in total transaction fees collected from the LP's and token rewards. Total reward tokens, staking and trading fee revenues for the three and nine months ended February 28, 2023, were $8,571 and $756,750 respectively versus for the three and nine months ended February 28, 2022 were $1,108,947 and $1,496,150 respectively.

Net loss excluding non-cash charge

	For the three months ended February 28		For the nine months ended February 28	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Net loss	(440,675)	(4,539,656)	(6,882,120)	(4,737,078)
Non-cash charges:				
Share based compensation	103,156	(2,263,372)	417,954	(2,355,905)
Net loss excluding non-cash charge*	(337,519)	(2,276,284)	(6,464,166)	(2,381,173)

* Net Loss Excluding non-cash charges is a non-IFRS measure and is discussed in the "Non-IFRS Measure" section of the MD&A.

Excluding non-cash charges, the Company's adjusted loss for the three and nine months ended February 28, 2023, were $337,519 and $6,464,166 respectively. Excluding non-cash charges, the Company's adjusted loss for the three and nine months ended February 28, 2022, were $2,276,284 and $2,381,173 respectively.

Change of fair value of revenue from digital assets

	For the three months ended February 28		For the nine months ended February 28	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Net change in fair value of digital assets sold short	**23,796**	**1,920,199**	**(184,407)**	**1,588,983**
Realized and unrealized loss on receivable from decentralized platforms, net	*(92,396)*	*(3,415,285)*	*(1,152,376)*	*(3,126,285)*
Change of fair value	**(68,600)**	**(1,495,086)**	**(1,336,783)**	**(1,537,302)**

Net loss primarily consisted of the following operating expenses:

Operating expenses	For the three months ended February 28 2023	2022	For the nine months ended February 28 2023	2022
	$	$	$	$
Share-based compensation (i)	(103,156)	(2,263,372)	(417,954)	(2,355,905)
Listing Expense	-	(1,251,234)	-	(1,251,234)
Professional fees (ii)	(230,078)	(197,336)	(759,589)	(305,535)
Advertising, marketing and investor relations	(6,782)	(185,442)	(44,461)	(200,933)
General and administrative	(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	(807)	(349)	(2,421)	(854)
Exchange Gain/Loss	1,539	(3,625)	5,227	(48,837)
Total operating expenses	**(546,180)**	**(4,153,517)**	**(2,556,017)**	**(4,695,926)**

Notes:

i. Value of options and warrants that were recognized during the period of respective three months.

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

Liquidity and Capital Resources

As of February 28, 2023, the Company had total assets of $15,513,526 which primarily consisted of non-restricted cash and cash equivalents of $15,332,037, USD coin of 1,765, digital assets of $40,747, amounts receivable of $52,009, prepaid expenses of $80,908, and equipment of $6,060. The Company had total current liabilities of $445,710 which comprised of accounts payable and accrued liabilities of $438,144, digital asset loans payable (USD coin) of $7,566.

As of May 31, 2022, the Company had total assets of $21,979,475 which primarily consisted of non-restricted cash and cash equivalents of $418,061, USD coin of $20,078,344, receivable from decentralized platforms of $1,365,211, digital assets of $13,119, amounts receivable of $1,515, prepaid expenses of $100,242, and equipment of $2,983. The Company's current liabilities comprised of accounts payable and accrued liabilities of $447,492.

For the period from June 1, 2022, to February 28, 2023, the Company experienced cash inflow of $14,919,474 from operating activities, and cash outflow of $5,498 from investing activity.

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

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

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

Off-Balance Sheet Arrangements

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

Related Party Transactions

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

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

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 – Nil) incurred with directors and officers of the Company.

These transactions were in the normal course of operations.

Issued and outstanding share data

There were no shares issued during the three and nine months ended February 28, 2023.

Options

As of February 28, 2023, there were 4,311,014 stock options outstanding. During the nine months ended February 28, 2023, 150,000 new options were issued. No options have been exercised under the Company's equity incentive plan.

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
38,249	0.80	March 28, 2023
4,311,014	**0.89**	

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

Warrants

As of February 28, 2023, there were 1,596,237 share purchase warrants outstanding. During the three months ended February 28, 2023, no warrants were issued, and no warrants were exercised for the equivalent number of common shares.

The movement in warrants for three months ended February 28, 2023, is summarized as follows:

	Outstanding	Weighted average exercise price
	#	$
Balance, May 31, 2021	279,856	0.75
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 summary of the Company's warrants issuance during the year ended February 28, 2023 are as follows:

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 expense of $65,830 on warrants and $1,230,1322 was cumulatively recognized in warrants reserve as at that date.

Capital Management

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

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

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

Financial Risk Management

Carrying values of financial instruments as at February 28, 2023 and May 31, 2022 are as follows:

	February 28, 2023	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 cost:		
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:

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 of 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.

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 of February 28, 2023, the Company had working capital of $15,061,757 (As at May 31, 2022 - $21,529,000)

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 below.

I. <u>Interest rate risk</u>

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. <u>Foreign currency risk</u>

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 of 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. <u>Price risk</u>

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 of 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)

Significant Accounting Policies

The Company's significant accounting policies can be found in Note 3 of its audited financial statements for the year ended May 31, 2022, and note 3 of unaudited interim condensed financial statements for the three months and nine months ended February 28, 2023.

Critical Accounting Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Critical accounting estimates

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

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

Critical accounting judgments

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

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

a) Digital Assets

Digital assets are generated from the Company's purchased cryptocurrencies through third party exchanges and from its rewards from different blockchains. The Company has assessed that it acts in a capacity as commodity broker trader as defined in IAS 2, Inventories ("IAS 2"), in characterizing its digital assets as they are. Principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. These assets are measured at fair value less cost to sell, changes in fair value recognized in profit or loss. Costs are determined on a weighted average cost basis and realized gains or losses when digital assets are sold.

The Company values its digital currency inventories based on the average quoted rates from various cryptocurrency exchanges less costs to sell. Various sources like Anchorage, Apeboard, Debank, FTX, Fireblocks, Kraken, Sonar Watch, Terra Station, Tokemak were used as there is no single source that could provide reliable rates for the digital assets held. The Company believes any price difference amongst the principal market and the average quoted rates to be immaterial. Management considers this fair value to be a level 2 input under IFRS 13, Fair Value Measurement fair value hierarchy as the price on this source represents the average quoted prices on multiple cryptocurrency exchanges.

The Company's determination to classify its holding of cryptocurrencies as current assets is based on management's assessment that Company actively trades these cryptocurrencies to generate a profit from price fluctuations.

b) Receivable from decentralized platforms

Receivables from decentralized platforms represent the fair value of digital assets held in blockchain-based liquidity pools and decentralized exchange ("DEX") for peer-to-peer trading of such digital assets. The management has assessed that these LP tokens are to be classified as financial assets measured at fair value through profit or loss.

In the normal course of business, the Company engages in liquidity mining and yield farming activities where it acts as a liquidity provider and deposits the relevant tokens into liquidity pools and DEXs. Transactions within liquidity pools are governed by a self-executing code referred to as smart contracts. As a consideration for providing liquidity, the Company receives reward tokens and earn share of accumulated trading fees. The reward tokens are measured based on the fair value of the digital currency received and recognized as revenue on a daily basis. The fair value is determined based on the price of the reward tokens when they are earned. The reward tokens received are recorded on the statement of financial position as digital assets classified as inventories.

The Company also earns trading fees in the form of LP tokens based on their pro-rata share of the total LP tokens issued by the DEX or liquidity pool. The fair value is determined based on the price of the LP token when they are earned. The LP tokens received are fair valued throughout the investment period.

Upon redemption of the LP tokens, realized gain or loss is determined based on the fair value of the LP tokens at redemption compared to the cost of obtaining them.

c) Financial Instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value" as either fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs" as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flow.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs of the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial instruments at FVTPL are subsequently measured at fair value, with gains and loss on disposition and unrealized gains and loss from changes in fair value are recognized in the statements of income (loss) and comprehensive income (loss).

Financial assets are classified as follows:

Classification	IFRS 9
Cash	Amortized cost
USD coin	Amortized cost
Amounts receivable	Amortized cost
Due from broker	Amortized cost
Receivable from decentralized platforms	Fair value through profit and loss

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flow from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment

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

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

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

The Company's management, using both historical analysis and forward-looking information, has evaluated its exposure to expected credit losses on its financial assets measured at amortized cost and concluded that the probability of default is minimal as all financial assets carried at amortized cost were short-term in duration and the counterparties have a strong capacity to meet their contractual obligations in the near term. Therefore, allowance recognized for expected credit losses is insignificant.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, as is the case with derivative instruments, or the Company as opted to measure the financial liability at FVTPL. All financial liabilities are recognized initially at fair value, and where applicable net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognized in other income or expense in the statement for profit or loss.

Financial liabilities were classified as follows:

Classification	**IFRS 9**
Accounts payable and accrued liabilities	Amortized cost
Digital asset loan payable – USD coin	Amortized cost
Digital assets sold short	Amortized cost
Digital asset loans payable	Fair value through profit and loss

Offsetting

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

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

d) Fair value measurement

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

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

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

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

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

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

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

e) Revenue Recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of digital assets

Sales of digital assets are recognized at the point in time when the Company has delivered the cryptocurrencies to the buyer's wallet accounts or to the decentralized platforms. The Company has control of the cryptocurrencies either in its custody or with the exchanges prior to the sale. Accordingly, the Company records the gain from the sale as revenue and presented as net in the statement of loss and comprehensive loss.

f) Accounting for digital assets and receivables from decentralized platforms

IFRS does not include specific guidance on the accounting for digital assets and there is no clear industry practice and, accordingly, the accounting for digital assets could fall into a variety of different standards. The Company has assessed that it acts in a capacity as a commodity broker-trader as defined in IAS 2 Inventories ("IAS 2") in characterizing its holding of digital assets. The Company holds these digital assets for sale in the ordinary course of business. Although 'commodity' is not defined in IAS 2, the Company has concluded that its holding of digital assets is a commodity or similar to a commodity and measured them at fair value less costs to sell.

Based on the Company's business model associated with liquidity mining and yield farming, characteristics of decentralized platforms such as liquidity pools, the nature of LP tokens including its redeemability feature at the discretion of the holder, the documentation within decentralized platforms that outlines the trading and redemption process, token price determination including final value at redemption, incentives for participation and other factors, the Company has applied judgment and used certain IFRS by analogy which led to a conclusion that LP tokens are to be classified and measured as financial assets at fair value through profit or loss on the basis that these LP tokens are held like an investment with the objective of earning reward tokens and trading fees including possibly realized gains upon redemption. Consequently, revenues earned from these decentralized platforms were accounted for similar to investment income.

g) Valuation of digital assets and receivables from decentralized platforms

Digital assets and receivables from decentralized platforms consist of cryptocurrency denominated assets, whose fair values are based on prices at Coingecko and other relevant pricing platforms. The cryptocurrency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for cryptocurrency could have a significant impact on the Company's earnings and financial position.

h) Digital asset loans payable

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.

i) Deferred income tax assets

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

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

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary difference do not result in deferred tax assets or liabilities: the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; difference relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statements of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate for the financial year.

j) Share-based payments

The Company operates an omnibus equity incentive plan which provides for the awards of stock options, deferred share units ("DSUs") and restricted share units ("RSUs"). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve and warrant reserve.

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

Risks

General Risks

Liquid Meta has a limited operating history

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

Liquid Meta is subject to competition from other liquidity mining companies

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

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

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

Unexpected market disruptions may cause major losses for Liquid Meta

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

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

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

Business and Industry Risks

Reliance on Decentralized Exchanges (DEX's)

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

Reliance on Centralized Exchanges (CEX's)

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 CEX's for the exchange of fiat/digital assets and at times the custodial services they provide for capital not being deployed on the DEX's. Any change to the CEX's business models, practices, ability to custody assets, ability to send or receive payments, solvency, swap or exchange assets, or be subject to security breaches or hacks could have a meaningful impact on Liquid Meta's operations and potential loss of some or all of our assets.

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

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

Digital asset transactions are irrevocable, and losses may occur

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

Digital asset custody risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquid Meta will have to adapt to evolving security risks

As technological change occurs, the security threats to Liquid Meta's digital assets and the Liquidity Pools we are providing liquidity to will likely adapt, and previously unknown threats may emerge. The ability of Liquid Meta, the DEX's it is providing liquidity to and other service providers to adopt technology in response to changing security needs or trends may pose a challenge to the safekeeping of their assets and liquidity pools. To the extent that Liquid Meta, the DEX's that it is providing liquidity to or its service providers are unable to identify and mitigate or stop new security threats, Liquid Meta's assets and DEX's may be subject to theft, loss, destruction or other attack.

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

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

The Business of Liquid Meta will be exposed to cybersecurity risks

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

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

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

Impermanent Loss

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

Liquidation Risk

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

Smart Contract Risks

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).

High Gas Fees (Transaction Fees)

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

Average Percentage Yield (APY) Erosion

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

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

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

Flash loan attacks

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

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

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

Protocol abandonment or lack of continued activity

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

Lack of governance or poor governance standards on protocols

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

Protocol rewards may be worthless

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

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

While the DeFi sector has grown exponentially, it is still early in development and its life cycle. There is no guarantee that DeFi can grow to be a viable alternative to more traditional centralized exchanges or traditional financial services offerings. The continued growth and application of blockchain technology, distributed applications, and crypto assets represents a paradigm shift in the broader financial and technological landscape that is subject to a number of factors that are difficult to evaluate, including:

- many blockchain networks are undergoing software upgrades or other significant changes, which has the potential to introduce vulnerabilities, security risks, or produce other negative effects on a given network;
- if network rewards and transaction fees for validators or miners on a given network are not sufficient to sustain and attract new validators and miners, a network’s ability to secure transactions and process new transactions rapidly may be adversely affected, which could subsequently impact the crypto assets built or trading on that network;
- many crypto assets have concentrated ownership that allows a small number of asset owners to have significant influence and control over decisions regarding the network, specifically pertaining to governance, as well as influence over the pricing of the asset;

- there are many networks actively working to improve certain aspects of the network, such as scalability, decentralization, and security, which if not successfully addressed could affect adoption rates and usage of the network;

- many decentralized finance protocols have limited operating histories and are undergoing significant developments or changes that affect key aspects of the protocol and subsequent tokens relying on the protocol. If these developments are not successful, this could adversely affect the underlying network and crypto assets operating on the network; and

- decentralized finance is currently undergoing a migration to Layer 2 solutions, which may prove unsuccessful and result in the loss of investor's funds, damaging the reputation of decentralized finance and inhibiting continued adoption of the technology.

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

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

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

Covid 19

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

Subsequent Events

(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.

Approval

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