LiquidMeta

LIQUID META CAPITAL HOLDINGS LTD.
(the “Company”)

Annual Information Form
For the Year Ended May 31, 2022
Dated August 29, 2022

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MEANING OF CERTAIN REFERENCES AND CURRENCY INFORMATION

In this annual information form ("**AIF**"), unless the otherwise indicated, or the context otherwise requires, references to the "**Company**", "**Liquid Meta**", "we", "us" and "our" refer to Liquid Meta Capital Holdings Ltd.

This AIF applies to the business activities and operations of the Company for the year ended May 31, 2022, as updated to August 29, 2022. Unless otherwise indicated, the information in this AIF is given as of the date hereof.

Unless otherwise indicated, all references in this AIF to "$" refer to Canadian dollars.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained in this AIF is based upon information from third-party sources, including independent industry publications, industry reports and publications, websites and other publicly available information. Although the Company believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of this data, the assurance and completeness of this data and the reasonableness of the estimates and assumptions relied upon and other limitations and uncertainties inherent in any such data. Third–party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this AIF and accordingly, the accuracy and completeness of such data is not guaranteed.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain statements and information contained in this Annual Information Form constitute forward-looking statements or forward-looking information (collectively "forward-looking statements") within the meaning of applicable securities Laws. Forward-looking statements are often, but not always, identified by the use of words or phrases such as "may", "is expected to", "anticipates", "believes", "estimates", "intends", "plans", and similar words suggesting future outcomes, or language suggesting an outlook, including that certain actions, events or results "may", "could", "would", "might" or "will" occur or be achieved, and variations of any such words or phrases. In particular, this Annual Information Form contains forward-looking statements with respect to:

- Liquid Meta's expectations as to future operations;
- Liquid Meta's expected operating costs, general and administrative expenses, costs of services and other costs and expenses;
- Liquid Meta's ability to meet current and future obligations;
- Liquid Meta's ability to obtain services in a timely manner or at all;
- Liquid Meta's ability to obtain future financing on acceptable terms or at all;
- Liquid Meta's targeted business milestones and related timelines and costs
- expectations about the future price of crypto assets;
- expectations regarding future competitive conditions;
- the expected dividend policies of Liquid Meta; and
- the impact of future regulatory action.

Forward-looking statements in this AIF are based on the current beliefs of management of Liquid Meta, as well as assumptions made by, and information currently available to, Liquid Meta, as applicable, regarding, among other things, the expected:

- success of the operations of Liquid Meta;
- Liquid Meta's ability to attract and retain key personnel;
- legislative and regulatory environments of the jurisdictions where Liquid Meta will carry on business or have operations;
- impact of competition and the competitive response to Liquid Meta's business strategy;
- timing and amount of Liquid Meta's capital and other expenditures;
- conditions in the financial markets and the economy generally; and
- ability of Liquid Meta to obtain additional financing, if and as needed, on satisfactory terms or at all.

The actual results, performance or achievements of Liquid Meta could differ materially from those anticipated in the forward-looking statements contained in this AIF as a result of the risk factors set forth below and under the heading "*Risk Factors*", and other risk factors, which include that:

- digital asset transactions are irrevocable, and losses may occur;
- a decline in the adoption and use of digital assets could materially and adversely affect the performance of Liquid Meta;
- 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 business is reliant on Decentralized Exchanges (DEX's);
- Decentralized finance may not grow or be adopted over centralized services or traditional financial services;
- Liquid Meta's business is reliant on Centralized Exchanges (CEX's);
- Liquid Meta may require additional funds to finance its operations;
- Liquid Meta is subject to competition from other liquidity mining companies;
- Liquid Meta's compliance and risk management programs may not be effective;
- unexpected market disruptions may cause major losses for Liquid Meta;
- the ongoing COVID-19 pandemic may have an adverse effect of the business of Liquid Meta;
- Liquid Meta will be reliant on attracting and retaining skilled management and directors;
- Regulatory changes or actions may alter the nature of an investment in Liquid Meta or restrict the use of digital assets in a manner that adversely affects the Liquid Meta's operations;

- Liquid Meta's business can be exposed to the illegal misuse of digital assets and bad actors or 'hackers' and other cyber security risks and security procedures and operational norms may not be enough to secure our assets;

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

- banks may not provide banking services, or may cut off banking services, to businesses that provide digital asset related services;

- 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;

- High Gas Fees (Transaction Fees);

- Average Percentage Yield (APY) Erosion;

- stablecoins form a material portion of the trading and transactions in DeFi as well as trading activity generally;

- Liquid Meta will have to adapt to evolving security risks;

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

- Flash Loan Attacks;

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

- market risk for securities;

- foreign exchange risk;

- protocol abandonment or lack of continued activity;

- protocol rewards may be worthless;

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

- Liquid Meta has a limited operating history.

Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of forward-looking statements, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the Liquid Meta's actual results achieved could vary from the information provided in this Annual Information Form, and the variations may be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by Liquid Meta that actual results achieved will be the same, in whole or in part, as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this Annual Information Form are made as of the date of this Annual Information Form, and neither Liquid Meta undertakes 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 required by applicable securities Laws. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

Historical statements contained in this AIF regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. In this regard, certain financial information contained herein has been extracted from, or based upon, information available in the public domain. Additionally, historical results should not be taken as a representation that such trends will be replicated in the future. No statement in this AIF is intended to be nor may be construed as a profit forecast.

The forward-looking statements contained in this AIF represent the Company's views and expectations as of the date hereof. The Company anticipates that subsequent events and developments may cause its views to change. However, while the Company may elect to update such forward-looking information and statements at a future time, it has no current intention of doing so except to the extent required by applicable law.

CORPORATE STRUCTURE

Name, Address and Incorporation

Liquid Meta Capital Holdings Ltd. was a privately-held corporation incorporated under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") on January 6, 2020 ("**LMCH**").

1287413 B.C. Ltd ("**413**") was incorporated under the BCBCA as a wholly owned subsidiary of 1289625 BC Ltd. ("**625**"). Pursuant to a plan of arrangement under the BCBCA, 625 reorganized its capital such that each holder of common shares disposed of their holdings to 625 and, in consideration therefor, received, among other things, certain 396 common shares, which resulted in 413 ceasing to be a subsidiary of 625.

On December 17, 2021, LMCH and 413 amalgamated pursuant to the laws of the Province of British Columbia and continued as one corporation in accordance with the BCBCA (the "**Amalgamation**") and changed its name to "Liquid Meta Capital Holdings Ltd." (the "**Company**"). As part of the Amalgamation, all of the issued and outstanding shares of 413 and LMCH were cancelled in exchange for the Company issuing common shares to the former shareholders of 413 and LMCH. The Company began trading on the NEO Exchange Inc. (the "**NEO**") on December 22, 2021 and currently trades on the NEO under the symbol "LIQD" and the OTCQB under the symbol "LIQQF".

The registered office of the Company is 700 - 401 West Georgia Street, Vancouver, British Columbia, Canada, V6B 5A1 and its head office is 66 Hendel Drive, Thornhill, Ontario, Canada, L4J 9H7.

Inter-corporate Relationships

The are no subsidiaries or other corporate entities owned by Liquid Meta.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Prior to the Amalgamation, LMCH was a privately-held corporation incorporated under the BCBCA.

Prior to the Amalgamation, 413 had no material assets and did not conduct any operations or active business, other than the identification and evaluation of acquisition opportunities to permit 413 to acquire a business or assets in order to conduct commercial operations.

Developments from the Date of Incorporation (January 6, 2020) to May 31, 2021

Developments Related to Operations and Personnel

On January 6, 2020, LMCH was established to explore opportunities across technology and media and their convergence with various industries including esports and blockchain. LMCH had decided to focus exclusively on blockchain technology in mid-2020 through the opportunities in decentralized finance, specifically in liquidity mining, and designing and developing proprietary technology to access, automate, and operate within the next generation of blockchain-based protocols, platforms, and applications that, predominantly due to proof-of-stake (PoS) network consensus, are facilitating the growth of DeFi, along with other growing areas such as non-fungible tokens, gaming, and governance. Jonathan Wiesblatt was appointed Chief Executed Officer and President of LMCH and Nicolas del Pino was appointed Chief Operating Officer of LMCH.

On November 22, 2021, Sendy Shorser was appointed Chief Financial Officer of the Company.

Developments Related to Financings, Mergers, Acquisitions and Transactions

On March 30, 2021, the shareholders of 1289625 BC Ltd., including 413, approved a plan of arrangement (the "**Arrangement**") under the provisions of Section 288 of the *Business Corporations Act* (British Columbia). On April 1, 2021, the Arrangement was approved by the Supreme Court of British Columbia such that each holder of common shares disposed of their holdings to 1289625 BC Ltd. and, in consideration therefor, received, among other things, certain 413 Shares and which resulted in 413 ceasing to be a subsidiary of 1289625 BC Ltd.

On May 7, 2021, LMCH completed a non-brokered private placement pursuant to which it issued an aggregate of 10,000,000 LMCH common shares at a price of US$0.10 per LMCH common share for gross proceeds of USD$1,000,000.

On May 18, 2021, LMCH completed a seed financing pursuant to which it issued an aggregate of 1,601,623 LMCH shares at a price of CAD$0.90 per LMCH share for gross proceeds of CAD$1,441,461.

Developments During the Financial Year ended May 31, 2022

Developments Related to Operations and Personnel

On January 10, 2022, Clara Bullrich joined the board of directors.

On March 15, 2022, Daniel Opperman was appointed as Chief Technology Officer of the Company.

Developments Related to Financings, Mergers, Acquisitions and Transactions

On August 18, 2021, LMCH entered into a non-binding letter of intent with 413 to combine their respective businesses.

On November 24, 2021, LMCH completed a non-brokered private placement pursuant to which it issued an aggregate of 870,136 LMCH at a price of USD$2.25 per LMCH for gross proceeds of approximately USD$2,250,000.

On November 30, 2021, 413 completed a private placement of up to 13,700 subscription receipts at a price of USD$1.00 for aggregate gross proceeds of USD$13,700.

On December 17, 2021, LMCH completed a private placement of subscription receipts comprised of: (i) the brokered sale of 14,336,000 subscription receipts through registered agents; and (ii) the non-brokered sale by LMCH of 6,013,880 subscription receipts, pursuant to which an aggregate of 20,349,880 subscription receipts were issued at a price of USD$1.00 per subscription receipt for aggregate gross proceeds of USD$20,349,880.

On December 17, 2021, LMCH entered into an amalgamation agreement with 413, a reporting issuer under the securities laws of the jurisdictions of Alberta and British Columbia, to effect the Amalgamation. 53,627,840 common shares were outstanding upon completion of the Amalgamation. Following Amalgamation, Jonathan Wiesblatt, Nicolas del Pino, David Prussky, Stephen Harper and Thomas Kang comprised the board of directors.

On December 17, 2021, the Company submitted its initial listing application to lists its common shares on the NEO.

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

On December 22, 2021, the common shares of the Company began trading on the NEO.

On January 13, 2022, the Company announces its partnership with Canada and Perfect Sail Ventures Ltd (O/A XLD Finance).

On January 25, 2022, the Company announces its partnership with Civic Technologies to bring capital liquidity to permissioned dApps.

On February 4, 2022, the Company listed on the Frankfurt Stock Exchange ("**FSE**") under the symbol FSE:7QS.

On May 10, 2022, the Company received approval from the Depository Trust Company ("**DTC**") to make the Company's common shares eligible to be electronically cleared and settled through the DTC

Subsequent Events

On June 10, 2022, the Company received US$2,000,000 in digital assets in relation to the May 5, 2022, related party loan agreement.

On July 2, 2022, Crema Finance ("**Crema**"), a concentrated liquidity protocol was hacked, and its funds were stolen. Liquid Meta provided US$1,460,395 of liquidity to Crema which was included in Crema's stolen funds. Crema was successful in negotiating the return of 84% of the funds stolen from the hackers which was subsequently returned to its liquidity providers on July 15, 2022. The remaining 16% was paid back by Crema in the form of Crema tokens which vest in 12 equal monthly instalments starting August 1, 2022.

On July 25, 2022, the Company announced that it had received approval for the Company's common shares to be up-listed to the OTCQB® under the symbol OTC: LIQQF.

DESCRIPTION OF THE BUSINESS

Overview of the Company's Business

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

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

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

Liquidity mining and yield farming is the practice of staking digital assets across one or many blockchain-based protocols or applications through liquidity pools or through contributing to protocols yield pools and earning rewards. A liquidity pool is a pool of tokens that are locked in smart contracts that interact with a decentralized exchange ("**DEX**") to automate and provide open access for 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 miners 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.

Business Model and Services Provided

The present business of Company is to participate across a variety of DeFi protocols and applications and deploy capital to engage in liquidity mining. The Company is also developing its proprietary technology platform that will allow the Company to access, automate, and operate with the DeFi industry at scale. Due to the fragmentation of activity across many blockchains and the possibility that there will be a multitude of blockchains and protocols with various forms of activity and use requiring cross-chain interoperability, The Company believes the most efficient and scalable way to integrate and interact with DeFi will be through technologically enabled operations. Upon full development, The Company's technology platform will allow it to screen, monitor, stake and re-stake, and assess and audit the security and viability of protocols and applications on various blockchains.

The Company reinvest revenues generated from liquidity mining operations across the variety of protocols and applications to capture higher revenue growth and compounded returns on mining operations.

How liquidity mining works:

1. User connects to a DEX or decentralized application.

2. User stakes digital assets by combining two tokens, such as USDT and USDC, and creates or joins a liquidity pool.

3. User generate fees as a pro-rata percentage of the liquidity pool.

4. User collects the fees and bonus rewards (if applicable).

5. User can, generally, increase or decrease its staked assets at any time.

Every time there is a transaction, Liquid Meta pays transaction fees or gas fees. All transactions can be categorized in the following actions: sending, receiving, swapping, pairing, unpairing, staking, unstaking.

Liquidity Mining Criteria

There are several qualitative and quantitative criteria the Company considers when evaluating DeFi protocols and applications for liquidity mining purposes, including:

1. Network Security – Independent third-party audits for protocols and applications are important in DeFi as they provide some level of assurance of functionality and security of an offering.

2. Project Quality – The Company defines this as the quality of the team, the problem the protocol is looking to solve and target market, and the reputation of any existing institutional investors or protocol participants. Additionally, the Company considers the inherent risks in the model that are not related to the code itself, but to the design of the project itself.

3. Protocol Liquidity – The Company considers the average volumes and interactions with the protocol and the specific liquidity pools.

4. Fee Generation and Bonus Compensation – The Company considers the prospects of the Company's pro rata fee generation and potential attractiveness of liquidity mining incentives that may be offered by the protocol to liquidity miners for services to the network

The Company seeks opportunities where it believes there are unique value propositions and, over time, the possibility of sustained activity and usage across the DeFi ecosystem for liquidity mining as well as future opportunities such as a being a governance partner or participant in network development.

Market

An Introduction to Cryptocurrency

Cryptocurrency is a broad term used to describe a variety of networks and applications that utilize blockchain technology such as Bitcoin and Ethereum, among many others. A cryptocurrency is a digital asset that can have a variety of use cases, including being transferred in a peer-to-peer manner across the internet, used to access certain goods and services, a currency and/or commodity within a particular application, or function as a digitally native unique asset (a non-fungible token). There are more than 10,000 different digital assets that are publicly traded[1]. The

[1] As shown on https://coinmarketcap.com/, the leading cryptoasset tracking website.

total market capitalization of all crypto assets in August 2022 was more than USD$1.0 Trillion[2]. The largest of these assets by market capitalization are Bitcoin and Ethereum.[3]

A defining feature of digital assets is that transactions are conducted, confirmed, settled, recorded, and secured on a public ledger called a blockchain. This technology has given rise to a variety of decentralized applications such as payments, exchange, borrowing, lending, stable coins, insurance, digital goods ("**non-fungible tokens**"), identity, and gaming, among others. The digital assets ("**cryptocurrencies**" or "**tokens**") are issued on the internet and are digitally issued and available, and tokens can also be representations of a claim on real-world assets.

Transition to Proof-of-Stake and Digital Asset Trend

Historically, blockchain based networks utilized proof-of-work ("**PoW**") to verify, settle, and secure transactions, which is the current method used by the two largest networks Bitcoin and Ethereum. However, PoW requires specialized hardware, continuous capital expenditure to upgrade equipment, large physical facilities to house hardware, and access to substantial electricity resources. A broader trend and transition within the blockchain sector is to PoS based networks that do not require specialized hardware, facilities, or energy intensive operations due to "staking" or lock-up of tokens in the network being the critical mechanism through which transactions are verified, settled, and secured. For example, Ethereum, the second largest crypto network in the world, is currently undergoing a technical transition from PoW to PoS network consensus generally referred to as "Ethereum 2.0".[4]

The Company believes that the broader trend towards digital assets is secular and the infrastructure to create, manage, exchange, leverage, consume, and hold digital assets is exponentially improving year-over-year. Additionally, the move by many networks, aside from Bitcoin, will likely continue to transition or be natively PoS (or other types of non-PoW) based consensus going forward. PoS has opened a variety of innovations in the sector, including the rapid development and growth of decentralized finance.

Defi

DeFi is a subcategory of the cryptocurrency market and a class of financially oriented applications and protocols that enable transparent and open-access services without the need for a third-party intermediary. DeFi operates without traditional financial institutions and intermediaries and all transactions are conducted and recorded over a blockchain. DeFi applications are enabled using smart contracts. Smart contracts are programmed self-executing lines of code that perform actions once certain conditions or rules have been satisfied. DeFi consists of applications and peer-to-peer protocols developed on decentralized blockchain networks that require no access rights allowing a multitude of use cases, including lending, borrowing, and trading. The total value locked in the DeFi ecosystem predominantly exists on the Ethereum network , but many alternative public networks are emerging to compete with, or complement, Ethereum to increase speed, improve scalability, and lower costs.

DeFi is growing into a complete ecosystem of functioning applications and protocols that deliver value to millions of users. For example, a common metric referred to regarding DeFi's growth is the 'Total Value Locked' or "TVL" (which can be thought of as similar to "assets under management") across the various protocols and applications. The TVL is USD$62.3B at present[5], up from less than USD$1B as of June 2020.

DeFi is a broad term used to describe a variety of applications including decentralized exchange, stable coins, lending and borrowing, insurance, wrapped bitcoin, yield farming, and liquidity mining, among others. A brief description of each of these areas follows below:

(i) Decentralized Exchanges

Decentralized exchanges (DEX's) are essential components of DeFi that allow users to exchange or swap tokens with other digital assets, without a centralized intermediary or custodian. Examples of exchanges can be from ETH (the native asset of Ethereum) to USDT (Tether, a USD pegged and collateralized stable coin) or USDC (a USD pegged

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[2] As shown on https://coinmarketcap.com/, the leading cryptoasset tracking website.
[3] As shown on https://coinmarketcap.com/, the leading cryptoasset tracking website.

[4] https://ethereum.org/en/developers/docs/consensus-mechanisms/pos/;https://www.gemini.com/cryptopedia/what-is-ethereum-pos-proof-of-stake
[5] https://defillama.com/

and collateralized stable coin) to USDT. Traditional, centralized exchanges (CEX's) offer similar abilities, such as Coinbase or FTX, but these venues operate similarly to traditional markets where the centralized exchange acts as an intermediary to facilitate trade and settlement.

The largest DEX protocol is called Uniswap. Uniswap was founded in November 2018 and is the largest automated token exchange by trading volume deployed on the Ethereum blockchain. Uniswap offers three core functionalities; swapping tokens, adding liquidity, and removing liquidity. To swap tokens on Uniswap users connect to Uniswap using their digital asset wallet to access the protocol functionality. To provide liquidity, users can deposit an equivalent value of tokens into the token's associated exchange smart contract. Once the user has tokens for liquidity, they can then be added to a "pool" on the Uniswap interface. Users that provide liquidity on Uniswap earn an exchange fee, calculated per the value of tokens offered for liquidity.

Automated market makers (AMMs) were the notable innovation that enabled the automated exchange of digital assets without the need of a traditional market of buyers and sellers or an orderbook. While on a traditional exchange, buyers and sellers offer up different prices that build up an initial price discovery and ends determining a market price. On a DEX, AMM smart contracts allow users to trade directly against a liquidity pool without the need for a direct counterparty to the transaction.

AMM / DEX protocols are controlled by an underlying mathematical formula that adjusts the ratios of the assets in the pool while simultaneously determining their prices. While this formula allows the market to function, it is also what is responsible for impermanent loss.

(ii) Stable Coins

There are a variety of "stable coins" in the crypto market. These are digital tokens that's value is tied to an asset price outside of the token itself, such as a US Dollar or Euro. The largest and most popular stable coins are pegged to the US Dollar, such as Tether or USD Coin. These digital assets represent over US$120B in market capitalization and are amongst the most liquid assets and trading pairs in the sector.

(iii) Lending and Borrowing

Open-source and non-custodial credit protocols are a major part of the DeFi ecosystem. Protocols such as Aave and Compound give users the ability to earn interest on deposits and for borrowers to borrow digital assets at fixed or variable annual percentage rates. Borrowers must post collateral in the form of one digital asset in order to borrow another. Generally, crypto lending protocols over-collateralize the loans to mitigate risks due to volatility and credit risk. Lending protocols have USD$17B in TVL across the ecosystem.

(iv) Insurance

There is a quickly growing insurance ecosystem developing with the DeFi segment with applications such as Nexus Mutual and Cover Protocol. These services offer insurance against smart contract or exchange hacks with a view to provide broader insurance offerings typically seen in the traditional insurance world over time.

(v) Wrapped Bitcoin

Wrapped Bitcoin (WBTC) is a 1:1 backed representation of Bitcoin on the Ethereum blockchain. WBTC allows Bitcoin holders to participate in DeFi through a tokenized representation of Bitcoin that is compatible with the various DeFi applications and infrastructure, like wallets, on the Ethereum network. There is currently $9B of WBTC by market capitalization.

(vi) Yield Farming/Liquidity Mining

Liquidity providers earn a fee for providing tokens to the liquidity pool. This fee is the exchange fee paid by a user who interacts with a specific liquidity pair on a DeFi protocol or application. These fees can be a percentage of transaction fees and usually are given in the way of a DEX governance token. Most protocols also reward liquidity providers with governance tokens, which provide the governance token holder to participate in protocol governance.

Research and Development

Research and development is performed 100% “in-house” and is proprietary to the Company.

Specialized Skills and Knowledge

The Company requires the specialized skills and knowledge of people skilled in the DeFi industry, including, but not limited to the operations and technology applicable to liquidity mining. Certain of these skills, especially in the respect to the development of technology in the Defi industry, are highly specialized. Currently, where necessary, the Company has been able to identify individuals and companies in the North American and South American talent pools as employees, consultants, and/or advisors.

Competitive Conditions

In the DeFi industry there are many DEX platforms and even a greater number of DeFi projects. A defining feature of DeFi is the open-access nature for participation resulting in a lower barrier to entry within the Industry. A substantial portion of the TVL to date is attributed to retail crypto investors, high net worth crypto investors, and some crypto-focused investment funds and institutional investors.[6] However, the Company’s focus is to become the largest scaled liquidity miner in the sector and it believes that the industry is and will continue to move towards scaled operations in order to generate the most attractive revenues and returns. Additionally, due to the rapid growth of the sector and innovation, the Company believes that to be most competitive in the industry, it must scale operations and develop technology to access, automate, and operate profitably.

Intangible Properties

The Company’s intangible assets consist of its internally developed MetaBridge platform suite of software tools which enables the Company to access, automate and scale operations within the DeFi segment of the blockchain industry. In connection with its liquidity mining operations, the Company plans to be a technology-enabled company through the building of its proprietary technology in order to access, automate, and operate across a variety of DeFi protocols and applications at scale. Due to the fragmentation of activity across many blockchains and the possibility that there will be a multitude of blockchains and protocols with various forms of activity and use requiring cross-chain interoperability, Liquid Meta believes the most efficient and scalable way to integrate and interact with DeFi will be through technologically enabled operations. The Company is developing a proprietary technology platform that will consist of technology that, amongst other possibilities, will automate a variety of functions such as screening, monitoring, staking and re-staking, and assessing and auditing the security and viability of protocols and applications on various blockchains.

Environmental Protections

The Company is unaware of any aspect of its business that may be subject to environmental protection regulations, as a result of which the Company may become exposed to liability and substantial expenses in connection with environmental compliance or remediation activities.

Employees

As of August 29, 2022, the Company has 8 employees and 2 independent contractors, and 2 outsourced professional organizations comprising its operations.

Changes to Contracts

The Company is unaware of any aspect of its business that may be materially affected in in the 12 months following the date of this AIF by either renegotiation or termination.

Bankruptcy

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[6] https://forkast.news/defi-tvl-hits-record-breaking-ethereum-correlation/ and https://consensys.net/blog/metamask/metamask-institutional/crossing-the-chasm-the-surge-in-institutional-adoption-of-defi/

To the knowledge of the Company, the Company has not been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings since incorporation or completed during or proposed for the current financial year.

Foreign Operations

Except for its partnership with XLD Finance, the Company is not currently involved in any foreign operations and is not dependent on any relationships with foreign suppliers, customers or partners.

Reorganizations

On December 17, 2021, LMCH completed a reverse takeover transaction, pursuant to which LMCH and 413 merged to form one new corporation in accordance with the provisions of the BCBCA.

Cycles

The Company's business does not currently fluctuate due to seasonal trends.

Economic Dependence

As the Company's primary business is to act as a liquidity provider on a variety of decentralized protocols and applications, the Company is dependent on these public decentralized exchanges to continue its operations.

Lending

The Company has taken exposure to lending/borrowing defi protocols. Generally, crypto lending protocols over-collateralize the loans to mitigate risks due to volatility and credit risk. Collateral is held in layer one crypto assets, whenever the collateral value decreases, borrowers face the risk of automatic liquidation given that the protocol ensures an over-collateralized ratio. Generally, protocols are over-collateralized with volatile assets like ETH, keeping its value is key to the protocol to deliver its service. Systemic risk exists if crypto assets held in collateral lose their value. Some of the most popular stablecoins such as DAI, is originated out of the Defi lending program, MakerDao.

RISK FACTORS

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business, financial condition and results of operations, or the trading price of the common shares. Some of the following factors are interrelated and, consequently, readers should treat such risk factors as a whole. These risks and uncertainties are not the only ones that could affect the Company, or the common shares and additional risks and uncertainties not currently known to the Company, or that it currently deems to be immaterial, may also impair the business, financial condition and results of operations of Liquid Meta and/or the value of the common shares. If any of the following risks or other risks occur, they could have a material adverse effect on Liquid Meta's business, financial condition and results of operations and/or the value of the common shares. There is no assurance that any risk management steps taken by Liquid Meta will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

General Risks

Liquid Meta has a limited operating history

The Company has a limited history of operations. As such, Liquid Meta will be subject to many risks common to early stage to mid 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 short-term or long-term operating goals.

Liquid Meta may require additional funds to finance its operations

Additional funds raised through debt or equity offerings may be needed to finance Liquid Meta's ongoing and future activities. There can be no assurance that Liquid Meta will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing could cause Liquid Meta to reduce or terminate its operations.

Company is subject to competition from other liquidity mining companies

The Company will compete 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 Liquid Meta'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 will be 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, Liquid Meta 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 Liquid Meta'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 does plan to engage in hedging practices with respect to certain of its cryptocurrency holdings, any such disruptions and events may have less of a material and adverse effect on Liquid Meta and the value Liquid Meta Shares had they not planned to engage in certain hedging activities.

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 Liquid Meta'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.

Liquid Meta will be reliant on attracting and retaining skilled management and directors

The success of Liquid Meta, will, in part, be dependent upon the skill, judgment, industry relationships and expertise of Liquid Meta's board and management. The loss of a director or key management personnel may materially and adversely affect the business of Liquid Meta. There can be no assurance that these individuals will continue to be employed by, or remain involved with, Liquid Meta for a particular period of time.

Market risk for securities

There can be no assurance that an active trading market for Liquid Meta's shares will be sustained. The market price for Liquid Meta's Shares may be subject to wide fluctuations. Factors such as government regulation, cryptocurrency price fluctuations, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of Liquid Meta's securities. The stock market has from time-to-time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies. Market forces may render it difficult or impossible for Liquid Meta to secure purchasers to purchase its securities at a price which will not lead to severe dilution to existing shareholders, or at all. In addition, shareholders may realize less than the original amount invested on dispositions of the common shares held of Liquid Meta during periods of such market price decline.

Foreign exchange risk

The Company is a Canadian Company, and most of its expenses and fundraising is done in Canadian dollars, however, its operations are predominantly denominated in U.S. dollars. As a result, Liquid Meta is subject to foreign exchange risks relating to the relative value of the U.S. dollar as compared to the Canadian dollar. A decline in the U.S. dollar could result in a decrease in the real value of Liquid Meta's revenues and adversely impact financial performance.

Company may be subject to litigation

The Company may be subject to litigation arising out of, or related to, its operations. Damages claimed under such litigation may be material, and the outcome of such litigation may materially impact Liquid Meta's operations and the value of its common shares. While Liquid Meta expects to assess the merits of any lawsuits and defend such lawsuits accordingly, it may be required to incur significant expense or devote significant financial resources to such defenses. In addition, the adverse publicity surrounding such claims may have a material adverse effect on Liquid Meta's operations and Liquid Meta's common shares.

Investment Risk

There is no assurance that Liquid Meta will achieve its investment objective. An investment may not earn any positive return and may result in the loss of some or all of the capital invested.

Ability to Generate Profits

There can be no assurance that Liquid Meta will generate net profits in future periods. Further, there can be no assurance that Liquid Meta will be cash flow positive in future periods. In the event that Liquid Meta fails to achieve profitability in future periods, the value of Liquid Meta's common shares may decline. In addition, if Liquid Meta is unable to achieve or maintain positive cash flows, Liquid Meta would be required to seek additional funding, which may not be available on favourable terms, if at all.

Management of Growth

The Company has recently experienced, and may continue to experience, growth in the scope of its operations. This growth has resulted in increased responsibilities for Liquid Meta's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, Liquid Meta will need to continue to implement and improve its operational, financial and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that Liquid Meta will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support Liquid Meta's operations.

Reliance on Key Personnel

The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company will rely on a limited number of key employees, consultants and members of senior management and there is no assurance that Liquid Meta will be able to retain such key employees, consultants and senior management. The loss of one or more of such key employees, consultants or members of senior management, if not replaced, could have a material adverse effect on Liquid Meta's business, financial condition and prospects.

Liquid Meta has no immediate plans to pay regular dividends on Liquid Meta's common shares, so shareholders of Liquid Meta may not receive funds without selling the common shares of Liquid Meta.

The Company does not currently have plans to pay regular dividends on its common shares. Any declaration and payment of future dividends to holders of Liquid Meta Shares will be at the sole discretion of the board of Liquid Meta and will depend on many factors, including the financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations of Liquid Meta that board of Liquid Meta deems relevant.

Business and Industry Risk

Company's business is reliant on Decentralized Exchanges (DEX's)

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

Company's business is reliant on Centralized Exchanges (CEX's)

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

Regulatory changes or actions may alter the nature of an investment in Liquid Meta or restrict the use of digital assets in a manner that adversely affects Liquid Meta'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 Liquid Meta or any digital assets that Liquid Meta may stake, exchange, trade, mine, harvest, purchase or sell impossible to predict and may have a substantial impact on Liquid Meta'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 Liquid Meta 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.

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

The Company's liquidity contribution strategy is dependent on internally and externally developed software, data and intellectual property. The Company's operations may be severely and adversely affected by the malfunction of technology, specifically Liquid Meta's internally developed MetaBridge platform suite of software tools and any other third party software used to Liquid Meta's 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.

Company'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

The Company'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 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 common 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 Liquid Meta's common 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.

Company will have to adapt to evolving security risks

As technological change occurs, the security threats to Company'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.

Company may be unable to obtain adequate insurance to insure its operations

The Company 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 Company 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. Company may have exposure to leveraged digital asset loans and could face potential losses from liquidations.

Smart Contract Risks

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

High Gas Fees (Transaction Fees)

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

Average Percentage Yield (APY) Erosion

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

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

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

Flash Loan Attacks

Flash loan attacks are a type of exploit where a cyberthief takes out a flash loan - a type of smart contract based undercollateralized loan available on various DeFi protocols where the borrower must pay back the loan before the transaction ends - and manipulates the market to their benefit or is able to steal digital assets by exploiting certain rules within the smart contracts or their interactions with each other. These flash loan attacks can render protocols, applications, or their associated tokens and liquidity pools permanently impaired or abandoned resulting in significant losses to users. The Company 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 the Company'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.

Company 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. The Company 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 the Company's operations should protocol decisions be unfavourable 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.

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

The Company 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.

DIVIDENDS AND DISTRIBUTIONS

The Company has not paid dividends since the completion of the Amalgamation. Other than the requirements of the BCBCA, there are no restrictions on Liquid Meta that would prevent it from paying a dividend. As of the date of this AIF, Liquid Meta does not currently intend to declare any dividends payable to the holders of common shares of the Company and intends to retain all future earnings to finance the development and growth of its business, and therefore, it has no current intention to declare or pay dividends on the common shares in the foreseeable future. Any future determination to pay distributions will be at the sole discretion of the board of directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Board relevant. The Company is not bound or limited in any way to pay dividends in the event that the Board determined that a dividend was in the best interest of its shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares. As at the date of this AIF, 53,837,246 common shares were issued and outstanding.

Common Shares

Holders of common shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of common shares.

Stock Options

The Company has established an equity incentive compensation plan (the "**Incentive Plan**"), which provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, or any subsidiary of the Company, options to purchase common shares (the "**Stock Options**"), restricted share units ("**RSUs**") and deferred share units ("**DSUs**", collectively with the Stock Options and the RSUs, the "**Awards**"). The Incentive Plan permits the Board to grant an aggregate number of Stock Options, together with all other Awards, to purchase or acquire up to fifteen percent (15%) of the number of common shares issued and outstanding.

As of the date of this AIF, the Company had reserved 4,090,755 common shares for issuance upon the exercise of Stock Options, which are reserved for issuance under stock options granted, collectively ranging in exercise prices from US$0.29 to US$1.00 per share.

RSUs

The Incentive Plan permits the Board to grant an aggregate number of RSUs, together with all other Awards, to purchase or acquire up to fifteen percent (15%) of the number of common shares issued and outstanding. As of the date of this AIF, the Company had reserved nil common shares for issuance upon the exercise of RSUs.

DSUs

The Incentive Plan permits the Board to grant an aggregate number of DSUs, together with all other Awards, to purchase or acquire up to fifteen percent (15%) of the number of common shares issued and outstanding. As of the date of this AIF, the Company had reserved nil common shares for issuance upon the exercise of DSUs.

Warrants

As of date of this AIF, the Company had reserved 1,596,237 common shares for issuance upon the exercise of warrants, collectively ranging in exercise prices from US$0.28 to US$1.00 (the "**Warrants**").

MARKET FOR SECURITIES

Trading Price and Volume

The common shares commenced trading on the NEO on December 22, 2021 under the symbol "LIQD". The common shares commenced trading in the United States on the OTCQB® Venture Market on July 25, 2022 under the symbol "LIQQF". The following table indicates the high and low values and volume with respect to trading activity for the common shares on the NEO on a monthly basis since the commencement of trading to the date of this AIF (Source: [neoexchange.com).

Month	High ($)	Low ($)	Volume
2021			
December 22-31	1.29	0.84	1,054,915
2022			
January	1.15	0.70	1,330,293
February	1.04	0.47	764,630
March	0.80	0.45	821,440
April	0.70	0.45	417,657
May	0.57	0.33	347,089
June	0.35	0.22	625,656
July	0.35	0.22	630,618
August 1-26	0.30	0.23	481,933

Prior Sales

The following table sets for the details regarding all issuances of the Company's securities that are outstanding but not listed or quoted on a marketplace, including issuances of all securities convertible or exchangeable into shares of the Company, during the most recently completed financial year:

Date of Issuance	Type of Security	Number of Securities	Issue/Exercise Price	Reason for Issuance
December 17, 2021	Stock Options	775,755	US$0.29	Issuance of Stock Options to holders of stock options of LMCH in exchange for the outstanding stock options of LMCH upon completion of the Amalgamation.
December 17, 2022	Stock Options	4,400,000	US$1.00	Grant of Stock Options to directors, officers and consultants upon completion of the Amalgamation.
December 17, 2022	Warrants	723,496	US$0.28	Issuance of Warrants to holders of share purchase warrants of LMCH in exchange for the outstanding warrants of LMCH upon completion of the Amalgamation.
December 17, 2022	Warrants	1,081,992	US$1.00	Issuance of Warrants to the agents in connection with the subscription receipt financing of LMCH in connection with the Amalgamation.
December 22, 2022	Stock Options	400,000	US$1.00	Grant of Stock Options to a consultant of the Company.
January 1, 2022	Stock Options	100,000	US$1.00	Grant of Stock Options to an employee of the Company.
January 9, 2022	Stock Options	400,000	US$1.00	Grant of Stock Options to a director of the Company.
January 30, 2022	Stock Options	100,000	US$1.00	Grant of Stock Options to an employee of the Company.
March 23, 2022	Stock Options	225,000	US$1.00	Grant of Stock Options to an officer of the Company.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Escrow Agreement

As required under the policies of the NEO and National Policy 46-201 – *Escrow for Initial Public Offerings* ("**NP 46-201**"), certain principals of the Company entered into a 18-month escrow agreement (the "**Escrow Agreement**") in connection with the Amalgamation. Pursuant to the Escrow Agreement, 25% of the escrowed securities were released on December 22, 2021, the date the common shares were listed on the NEO, 25% of the escrowed securities were released on the 6-month anniversary of the listing date of December 22, 2021, and 25% of the escrowed securities are scheduled to be released from escrow in tranches on the 12- and 18-month anniversaries following the listing date of December 22, 2021. The escrow agent is Odyssey Trust Company. The following securities of the Company are currently on deposit in escrow under the Escrow Agreement:

Designation of Class	Number of Securities Held in Escrow	Percentage of Class(1)
Common Shares	10,609,049	19.71%
Options	387,870	-

Notes:

(1) Based on 53,837,246 common shares issued and outstanding as of the date of this AIF.

Founder Lock-Up Agreements

In connection with the private placement of LMCH conducted together with the Amalgamation, certain principal securityholders of the Company entered into contractual lock-up agreements with the agents under the private placement (collectively, the "**Founder Lock-Up Agreements**"). Pursuant to the Founder Lock-Up Agreements, 25% of the locked-up securities are scheduled to be released in tranches on the 12- and 18-month anniversaries of the listing date of December 22, 2021, and 50% of the locked-up securities are scheduled to be released on the 24-month anniversary following the listing date of December 22, 2021. There was no escrow agent in respect of these locked-up securities. As of the date of this AIF, the following securities of the Company are subject to the Founder Lock-Up Agreements:

Designation of Class	Number of Securities Subject to the Founder Lock-Up Agreements	Percentage of Class(1)
Common Shares	10,000,000	18.58%
Options	517,160	-

Notes:

(1) Based on 53,837,246 common shares issued and outstanding as of the date of this AIF.

Seed Lock-Up Agreements

In connection with the private placement of LMCH conducted together with the Amalgamation, certain non-principal securityholders of the Company entered into contractual lock-up agreements with the agents under the private placement (collectively, the "**Seed Lock-Up Agreements**"). Pursuant to the Seed Lock-Up Agreements, 50% of the locked-up securities were released on the 6-month anniversaries of the listing date of December 22, 2021, and 50% of the locked-up securities are scheduled to be released on the 12-month anniversary of the listing date of December 22, 2021. There was no escrow agent in respect of these locked-up securities. As of the date of this AIF, the following securities of the Company are subject to the Seed Lock-Up Agreements:

Designation of Class	Number of Securities Subject to the Founder Lock-Up Agreements	Percentage of Class(1)
Common Shares	800,812	1.49%

Notes:

(1) Based on 53,837,246 common shares issued and outstanding as of the date of this AIF.

Voluntary Pooling Arrangement

During the most recently completed financial year, the common shares issued to prior shareholders of 413 and LMCH upon completion of the Amalgamation were subject resale restrictions pursuant to a 6-month voluntary pooling arrangement (the "**Voluntary Pooling Arrangement**"). Pursuant to the Voluntary Pooling Arrangement, 25% of the common shares were released on December 17, 2021, the closing date of the Amalgamation, 25% of such common shares on the 3-month anniversary of the closing date of the Amalgamation and 50% of such common shares on the 6-month anniversaries following the closing date of the Amalgamation. There was no escrow agent in respect of these securities. As of the date of this AIF, there are nil securities of the Company subject to the Voluntary Pooling Arrangement.

DIRECTORS AND OFFICERS

The Company's directors are elected by the shareholders at each annual meeting and hold office until the next annual meeting at which time they may be re-elected or replaced. Casual vacancies on the Board are filled by the remaining directors, in accordance with the articles of the Company, and the persons filling those vacancies hold office until the next annual general meeting at which time they may be re-elected or replaced. The officers are appointed by the Board and hold office at the pleasure of the Board

The following table sets forth the name, municipality of residence, position held with the Company, principal occupation for the five preceding years and number of common shares beneficially owned by each person who is a director and/or an executive officer of the Company. The statement as to the common shares beneficially owned, controlled or directed, directly or indirectly, by the directors and executive officers hereinafter named is in each instance based upon information furnished by the person concerned and is as at the date hereof.

Name and Municipality of Residence and Position with the Company(1)	Principal Occupation During the Last Five Years(1)	Period Served as Director/Officer Since	Number of Common Shares Beneficially Owned(2)	Percentage of Common Shares Held(3)
Jonathan Wiesblatt • *Thornhill, Ontario* *Chief Executive Officer, President and Director*	President, Liquid Meta Capital Holdings Ltd. since December 2020 and Portfolio Manager, Sprott Asset Management/NinePoint Partners from December 2014 to February 2018	December 17, 2021	1,748,867	3.25%
Nicolas del Pino • *Surfside, Florida, U.S.A.* *Chief Operating Officer and Director*	COO, Liquid Meta Capital Holdings Ltd. since December 2020; Vice President of Sales, dLocal from May 2015 to November 2020; and Director, Endeavor Global from March 2016 to April 2019	December 17, 2021	1,723,867	3.20%
Sendy Shorser • *Toronto, Ontario* *Chief Financial Officer and Corporate Secretary*	President, Auxilium Professional Corporation. since August 2017 and Accountant, Klasner & Solomon LLP from September 2015 to July 2017	November 22, 2021	10,000	0.02%
Daniel Opperman • *Las Vegas, Nevada, U.S.A* *Chief Technology Officer*	CTO Liquid Meta capital Holdings Ltd. Since March 2022. CTO Axos Clearing 2019 to 2022, technology Advisor at Entelligent from 2018 – 2022.	March 23, 2022	Nil	0%
David Prussky • *Toronto, Ontario*	President, Prussky Consulting since March 1981; Director,	December 17, 2021	Nil	

Director	Patica Securities Ltd. since August 2001; and President, Patica Corporation since November 1989.			
Stephen Harper • *London, U.K.* *Director*	Non-Executive Director, BGC European Holdings LP since January 2015; Non-Executive Director, Copper Street Capital since September 2015; and Director, Strathmore Investments Ltd since November 2002	December 17, 2021	249,997	
Thomas Kang • *New York, New York, U.S.A.* *Director*	CEO, Allied Inventors Management since July 2021	December 17, 2021	100,000	
Clara Bullrich • *Miami, Florida, U.S.A* *Director*	Partner at Alvarium Investments, an international multifamily office, Clara co-founded The Venture City, a technology focused accelerator with over 75 investments	July 9, 2022	100,000	

Notes:

(1) The information as to province or state and country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and officer individually.

(2) The information as to shares beneficially owned or over which a director or officer, directly or indirectly, exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.

(3) Members of the Audit Committee include Thomas Kang, David Prussky and Stephen Harper.

The directors of the Company are elected by the shareholders at each annual general meeting and typically hold office until the next annual general meeting at which time they may be re-elected or replaced.

The by-laws of the Company permit the Board to appoint directors to fill any casual vacancies that may occur. Individuals appointed as directors to fill casual vacancies on the board of directors hold office for the remainder of the term of the director that he or she is replacing, being until the next annual general meeting at which time they may be re-elected or replaced.

As at the date hereof, the directors and executive officers of the Company, collectively, beneficially own, directly and indirectly, or exercise control or direction over 3,932,731 common shares, representing approximately 7.30% of the total number of common shares outstanding. The statement as to the number of common shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company as a group is based upon information furnished by the directors and executive officers.

Corporate Cease Trade Orders

Other than as set out below, to the Company's knowledge, no director or executive officer of the Company is, as of the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company), that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies and Other Proceedings

To the Company's knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

Other than as disclosed below, to the Company's knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is, or, within the last 10 years, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

David Prussky was a director of Swisher Hygiene Inc. ("**Swisher**"), a TSX and NASDAQ listed issuer, from February 2010 until September 2016. In February 2012, as a member of the board of directors of Swisher, David became aware of potential accounting issues involving Swisher's financial statements filed with the U.S. Securities and Exchange Commission ("**SEC**"). David was appointed to a special committee ("Special Committee") of the board of directors of Swisher to investigate the accounting issues. The Special Committee engaged legal and accounting experts to assist in the investigation and after approximately three months of investigation issued its findings to the full board of directors of Swisher. Following the Special Committee's recommendations, three employees, including Swisher's CFO, who were involved in the Swisher's accounting were terminated. Those three former employees were subsequently indicted by the U.S. Attorney's office based in Charlotte, NC, and charged with the violation of numerous Federal criminal statutes relating to Swisher's accounting practices. All three employees subsequently either pled guilty to or were convicted of violating criminal statutes, and two of those former employees served multi-year terms in Federal prison for their criminal conduct. On September 22, 2016, finding that Swisher had complied with the terms of the DPA, which included the payment of a $2.0 million fine, the US Attorney's office filed a Motion to Dismiss the Bill of Information against Swisher, which was granted on October 13, 2016.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter. Conflicts, if any, will be subject to the procedures and remedies provided under the BCBA

Other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its directors and officers or other members of management of the Company or of any proposed director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and/or officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. See "*Risk Factors*".

AUDIT COMMITTEE DISCLOSURE

Audit Committee Charter

The Audit Committee has adopted a written charter setting out its mandate and responsibilities. The Audit Committee is responsible for assisting the board of directors in fulfilling its oversight responsibilities relating to financial accounting and reporting processes and internal controls. The Audit Committee's primary duties and responsibilities are to: (i) conduct reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Audit Committee; (ii) assess the integrity of internal controls and financial reporting procedures of the Company and ensure implementation of such controls and procedures; (iii) ensure appropriate standards of corporate conduct for senior financial personnel and employees and, if necessary, adopt a corporate code of ethics; (iv) review the quarterly and annual financial statements and related management's discussion and analysis ("**MD&A**") of the Company's consolidated financial position and operating results and in the case of the annual financial statements and MD&A report thereon to the board of directors for approval of same; (v) select and monitor the independence and performance of the Company's external auditors and approve their remuneration; (vi) provide oversight to related party transactions entered into by the Company; and (vii) provide oversight of all disclosure relating to Financial Statements, MD&A and information derived therefrom. The Audit Committee is responsible for inquiring of management and the external auditors about significant risks or exposures, both internal and external to which the Company may be subject and assessing the steps management has taken to minimize such risks. The Audit Committee is also responsible for establishing and implementing procedures in respect of complaints and submissions relating to accounting matters and the approval of non-audit services by the external auditors.

The Charter of the Company's Audit Committee is set forth in Appendix "A" hereto.

Composition of the Audit Committee

The Audit Committee has been constituted to oversee the financial reporting processes of the Company and is comprised of three directors, namely David Prussky, Thomas Kang and Stephen Harper, all of whom are "independent", as such term is defined within the meaning of National Instrument 52-110. Each member of the Audit Committee is "financially literate" as defined in National Instrument 52-110, as all of the Audit Committee members possess extensive financial knowledge, experience and comprehension of financial statements.

Relevant Education and Experience

Each member of the Audit Committee has experience relevant to his or her responsibilities as an Audit Committee member, including:

- Understanding the accounting principles used by the Company to prepare its financial statements;
- Having the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- Experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- An understanding of internal controls and procedures for financial reporting.

The relevant education and/or experience of each member of the Audit Committee is as follows:

- David Prussky, chair of the audit committee, has been involved in the investment banking industry for over thirty years. David has been a director of numerous public companies in Canada, including past Chairman of

Carfinco Income Fund. David has extensive corporate governance and audit committee experience including past Chairman of the Audit Committee of Atrium Mortgage Investment Corporation.

- Stephen Harper, was CEO of Saguenay Strathmore Capital, an investment management firm with over $2 billion AUM in hedge fund investments. Prior to the merger of Saguenay Capital and Strathmore Capital in 2011, Stephen was the Managing Partner and Chief Investment Officer of Strathmore Capital, the investment firm he founded in 2003.
- Thomas Kang, Thomas has served as CEO of both public and private companies for over twenty years, often turning around unprofitable companies. Previously, Thomas was Chief Executive Officer & Executive Vice Chairman of KTB Financial Group, CEO & Founder of Asia Asset Partners (sold to KTB), President of Asia for Fortress Investment Group, CEO & Founder of Kang & Company, and CEO & Chairman of Seoul Securities.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor (currently, RSM Cananda LLP) not adopted by the board.

Pre-Approval Policies and Procedures

The Audit Committee charter sets out procedures regarding the provision of non-audit services by the Company's independent chartered professional accountants. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted non-audit and non-audit related services.

External Auditor Service Fees (by category)

The following table sets out the fees for all services rendered by RSM Canada LLP, the Company's external auditor for the financial year ended May 31, 2022, and by Zeifmans LLP, the Company's former external auditor for the financial year ended May 31, 2021:

Year	Audit Fees(1)	Audit Related Fees(2)	Tax Fees(3)	All Other Fees(4)
2022	$200,000	$93,700	$30,000	$12,160
2021	$38,000	$Nil	$3,000	$Nil

Notes:

(1) "Audit Fees" refers to the aggregate fees billed by the external auditor for audit services.

(2) "Audit Related Fees" refers to aggregate fees billed for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and not reported under Audit Fees.

(3) "Tax Fees" includes fees for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning.

(4) "All Other Fees" includes all fees billed by the external auditors for services not covered in the other three categories including procedures performed in connection with prospectus offerings.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no actual or pending legal proceedings material to the Company that the Company is or was a party to, or that any of its property is or was the subject of, since the beginning of the Company's most recently completed financial year. In addition, the Company is not currently aware of any such legal proceedings being contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this AIF, no director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Odyssey Trust Company, located at 702, 67 Yonge Street, Toronto, Ontario M5E 1J8.

MATERIAL CONTRACTS

The Company has not entered into any material contracts (i) since the beginning of its most recently completed fiscal year or (ii) before the beginning of its most recently completed fiscal year and that are still in effect, other than contracts entered into in the ordinary course of business.

INTERESTS OF EXPERTS

The auditors of the Company are RSM Canada LLP, at its office located at Suite 700– King Street, Toronto, Ontario M5H 4C7.

Zeifmans LLP audited the financial statements of the Company for the financial year ended May 31, 2021. RSM LLP was independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation. RSM LLP audited the financial statements of the Company for the financial year ended May 31, 2022. RSM LLP is independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds more than 1% beneficial interest, direct or indirect, in any securities or property of the Company or of an associate or affiliate of the Company and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an Associate or affiliate of the Company and no such person is a promoter of the Company or an associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com under the Company's profile. Additional information, including information concerning directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, will be contained in the listing statement of the Company filed on SEDAR on December 17, 2021

Additional financial information is contained in the Company's audited financial statements and management information circular dated March 15, 2021, for the most recently completed financial year, copies of which have been filed with the securities regulatory authorities in the provinces of Alberta, British Columbia and Ontario. Such documents, as well as additional information about the Company, may be found under the Company's issuer profile on SEDAR at www.sedar.com.

Appendix "A"

LIQUID META CAPITAL HOLDINGS LTD.

CHARTER OF THE AUDIT COMMITTEE

(Adopted and approved by the Board of the Corporation effective as of December 17, 2021)

1. PURPOSE

The purpose of the Audit Committee (the "**Committee**") of the board of directors (the "**Board**") of Liquid Meta Capital Holdings Ltd. (the "**Corporation**") is to:

- Assist the Board in fulfilling its responsibility to oversee the Corporation's accounting and financial reporting processes and the audits of the Corporation's financial statements and management discussion and analysis ("**MD&A**");
- Review the financial reports and other financial information provided by the Corporation, the Corporation's disclosure controls and procedures, and its internal accounting and financial controls;
- Assume direct responsibility for the appointment, compensation, retention (and where appropriate replacement), and oversight of the work of the external auditor (the "**Auditor**") in preparing or issuing the audit report or related work;
- Oversee the independence of the Auditor and approve all auditing services and permitted non- audit services provided by the Auditor;
- Receive direct reports from the Auditor and resolve any disagreements between management and the Auditor regarding financial reporting;
- Review risk management with management and the Auditor, as well as any purposed changes in major accounting policies and the presentation and impact of significant risks and uncertainties; and
- Carry out the specific responsibilities set forth below in furtherance of this stated purpose.

2. COMMITTEE MEMBERSHIP AND PROCEDURES

The Committee shall consist of at least three directors, all of whom will be independent (as such term is defined in *National Instrument 52-110 – Audit Committees* ("**NI 52-110**")). No Committee member shall simultaneously serve on the audit committee of more than two other public companies with active business operations or significant assets.

Unless there is an exemption from the following requirement available to the Corporation in NI 52-110, each member of the Committee shall be "financially literate" (as such term is under 1.6 of NI 52-110).

The Board, after each annual shareholders' meeting, shall appoint or re-appoint each member of the Committee. Every member of the Committee must be a director of the Corporation. A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation. The Board shall fill Committee member vacancies by appointing a member from the Board. If a vacancy on the Committee exists, the remaining members shall exercise all the Committee's powers.

The Board shall appoint one member of the Committee to be the Chair of the Committee (the "**Chair**"). The Chair must be a non-executive Director.

3. MEETINGS

The Committee shall meet not less than quarterly at such times and places as determined by the Committee. The Committee is governed by the same rules regarding meetings (including the procedure used to call meetings, and conducting meetings electronically, in person or by telephone), notice of meetings and waiver of notice by committee members, written resolutions in lieu of a meeting and voting at meetings that apply to the Board. The Committee shall conduct its meetings in accordance with this Charter, the procedures of the Board set forth in the By-Laws for the Board's meetings, and such other procedures as the Committee may adopt.

Notice of the time and place of a Committee meeting shall be given by the Committee to the Corporation's Auditor in the same manner notice is provided to Committee members in accordance with section 158(2) of the *Business Corporation Act* (Ontario).

The Chair shall seek input from Committee members, the Corporation's management, the Auditor and Board members when setting each Committee meeting's agenda.

4. RESPONSIBILITES, RESOURCES AND AUTHORITY

In discharging its oversight role, the Committee is granted all responsibilities and authority required by NI 52-110, including without limitation the authority to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Corporation and the authority to engage independent legal, accounting, or other advisors to obtain such advice and assistance as the Committee determines necessary to carry out its duties. The Committee may request any officer or employee of the Corporation or the Corporation's outside counsel to attend a meeting of the Committee or to meet with any member of, or consultants to, the Committee.

The Corporation shall provide the Committee with all appropriate funding, as determined by the Committee, for payment of compensation to any such advisors and any Auditor, as well as for any ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its responsibilities.

5. KEY RESPONSIBILITES

The Committee's role is one of oversight, and it is recognized that the Corporation's management is responsible for preparing the Corporation's financial statements and that the Auditor is ultimately accountable to the Board and the Committee, as representatives of the stockholders, and is responsible for auditing those financial statements and MD&A.

The functions set forth in this Charter shall be the common recurring activities of the Committee in carrying out its oversight role. The functions are set forth as a guide and may be varied and supplemented from time to time as appropriate under the circumstances.

6. EXTERNAL AUDITORS

The Committee shall consider and recommend to the Board, to put forward for shareholder approval at the annual meeting, an Auditor that will be appointed or reappointed to prepare or issue an auditor's report and perform audit, review, attest or other services for the Corporation in compliance with NI 52-110, and if necessary, recommend to the Board the Auditor's removal.

The Committee shall recommend to the Board the Auditor's compensation and otherwise setting the terms of the Auditor's engagement (including reviewing and negotiating the Auditor's engagement letter).

The Committee shall be directly responsible for oversight and overseeing the work of the Auditor for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Corporation. The Auditors shall report directly to the Committee.

The Committee is directly responsible to ensure the lead audit partner and other audit partners (if any) at the Auditor is replaced in compliance with applicable laws.

7. DISCLOSURE CONTROLS AND PROCEDURES

The Committee shall review periodically with management the Corporation's disclosure controls and procedures.

8. INTERNAL CONTROLS

The Committee shall discuss periodically with management and the Auditor the quality and adequacy of the Corporation's internal controls and internal auditing procedures, if any, including any significant deficiencies in the design or operation of those controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data and any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls, and discuss with the Auditor how the Corporation's financial systems and controls compare with industry practices.

9. ACCOUNTING POLICIES

The Committee shall review periodically with management and the Auditor the quality, as well as acceptability, of the Corporation's accounting policies, and discuss with the Auditor how the Corporation's accounting policies compare with those in the industry and all alternative treatments of financial information within Canadian generally accepted accounting principles that have been discussed with management, the ramifications of use of such alternative disclosures and treatments and the treatment preferred by the Auditor.

10. PRE-APPROVAL OF ALL AUDIT SERVICES AND PERMITTED NON-AUDIT SERVICES

The Committee shall approve, in advance, all audit services and permitted non-audit services to be provided to the Corporation by Auditor; provided that any non-audit services performed pursuant to an exception to the preapproval requirement permitted under applicable laws shall not be deemed unauthorized.

11. ANNUAL AUDIT

In connection with the annual audit of the Corporation's financial statements, the Committee shall:

- request from the Auditor a formal written statement delineating all relationships between the Auditor and the Corporation, discuss with the Auditor any such disclosed relationships and their impact on the Auditor's objectivity and independence, and take appropriate action to oversee the independence of the Auditor;
- approve the selection and the terms of the engagement of the Auditor;
- review with management and the Auditor the audited financial statements and MD&A to be filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") for public disclosure;
- perform the procedures set out forth below in "Financial Reporting Procedures" with respect to the annual financial statement to be reported; and
- review with management and the Auditor the Corporation's critical accounting policies and practices to ensure the annual audit is in compliance with accounting standards.

12. INTERIM REPORTS

In connection with the Corporation's preparation of its interim financial information to be included in the Corporation's Quarterly Reports filed on SEDAR, the Committee shall:

- review with management the Corporation's critical account policy practices; and
- recommend to the Board whether, based on their reviews and discussions referred to above the interim financial statements and interim MD&A should be included in the Corporation's Quarterly Report to be filed on SEDAR.

13. FINANCIAL REPORTING PROCEDURES

In connection with the Committee's review of each reporting of the Corporation's annual or interim financial information, the Committee shall:

- discuss with the Auditor whether all material correcting adjustments identified by the Auditor are in accordance with Canadian generally accepted accounting principles and the rules of the CSA are reflected in the Corporation's financial statements;

- review with the Auditor all material communications between the Auditor and management, such as any management letter or schedule of unadjusted differences;

- review with management and the Auditor any material financial or other arrangements of the Corporation which do not appear on the Corporation's financial statements and any transactions or courses of dealing with third parties that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which arrangements or transactions are relevant to an understanding of the Corporation's financial statements; rand

- resolve any disagreements between management and the Auditor regarding financial reporting.

14. CHARTER REVIEW

The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

15. COMPLAINT PROCEDURES

Any issue of significant financial misconduct shall be brought to the attention of the Committee for its consideration. The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.