Liquid Meta Capital Holdings Ltd.

Financial Statements

For the Years Ended May 31, 2023 and 2022

(Expressed in U.S. dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Liquid Meta Capital Holdings Ltd.

Opinion

We have audited the financial statements of Liquid Meta Capital Holdings Ltd. (the "Company"), which comprise the statements of financial position as at May 31, 2023 and 2022, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which explain that the directors determined that is desirable to discontinue the operations of the Company's crypto liquidity business and discontinue the development of the Company's MetaBride technology. The Company considered that it is still appropriate to adopt the going concern basis of accounting in preparing the financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended May 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Revenue from rewards and trading fees earned from providing liquidity in liquidity pools</u>

Note 3(h): Significant Accounting Policies on Revenue Recognition, Note 11: Net Realized Gain (Loss) and Revenues Earned from Providing Liquidity in Liquidity Pools.

For the year ended May 31, 2023, the Company recognized revenue in the form of digital asset rewards and trading fees aggregating to $716,903 from transacting certain digital assets in certain decentralized platforms' liquidity pools.

We identified revenue from rewards and trading fees earned from providing liquidity in liquidity pools as a key audit matter due to the nature and extent of audit effort required to obtain sufficient appropriate audit evidence to address the risks of material misstatement related to the accuracy of revenue from rewards earned from providing liquidity in liquidity pools. The nature and extent of audit effort required to address the matter includes significant involvement of more experienced engagement team members and discussions and consultations with subject matter experts related to the matter.

How our audit addressed the Key Audit Matter

Our audit procedures related to the accuracy of revenue from rewards earned from providing liquidity in liquidity pools and trading fees included the following, among others:

- We evaluated the design of certain internal controls over the accuracy of revenue from rewards and trading fees earned from providing liquidity in liquidity pools.
- With the assistance of our specialists, we obtained an understanding of a sample of smart contracts for generating rewards earned from providing liquidity in decentralized platforms' liquidity pools, including how the number of rewards is determined and how the rewards are identified on the blockchain, and evaluated whether the smart contracts operate consistently with our understanding.
- We inspected the smart contracts to evaluate whether the reward address was a wallet under the control of the Company.
- On a sample basis, we compared the Company's records of digital asset transactions to the records on public blockchains. We evaluated the reliability of audit evidence obtained from public blockchains.
- On a sample basis, we tested the value of reward tokens received and recognized as revenue by evaluating the Company's principal market consideration and recalculating the revenue using the quoted prices from the appropriate market.
- On a sample basis, we tested the value of trading fees received and recognized as revenue by evaluating the Company's principal market consideration and recalculating the revenue using quoted prices from the appropriate market.
- We evaluated whether any restrictions, such as lockups, existed on the Company's digital assets received as part of the rewards from providing liquidity in liquidity pools.
- We obtained evidence that management has control of the private keys required to access the wallets for both the transferring of digital assets to and from the liquidity pools, and those wallets where the rewards and trading fees are received from providing liquidity in liquidity pools, through observing the movement of selected digital assets and verifying the movement through public blockchains.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mike Zenteno.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
November 7, 2023
Toronto, Ontario

(Expressed in U.S. dollars)

	Notes	As at May 31, 2023	As at May 31, 2022
		$	$
Assets			
Current			
Cash and cash equivalents	6	4,595,666	418,061
USD coin		1,320	20,078,344
Receivables from decentralized platforms	7	-	1,365,211
Digital assets - inventories		6,845	13,119
Amounts receivable	6	12,066	1,515
Prepaid expenses		56,366	100,242
Total current assets		**4,672,263**	**21,976,492**
Non-current assets			
Equipment	8	5,253	2,983
Total assets		**4,677,516**	**21,979,475**
Liabilities			
Current			
Accounts payable and accrued liabilities	14	213,194	447,492
Digital asset loans payable - USD coin		7,103	-
Total liabilities		**220,297**	**447,492**
Shareholders' equity			
Share Capital	9	13,738,435	24,505,884
Options Reserve	9	3,760,150	3,101,900
Warrants Reserve	9	1,230,322	1,164,492
Accumulated Deficit		(14,271,688)	(7,240,293)
Total shareholders' equity		**4,457,219**	**21,531,983**
Total liabilities and shareholders' equity		**4,677,516**	**21,979,475**

Subsequent events (note 18)

These financial statements were approved for issuance on November 7, 2023 by the Board of Directors and signed on its behalf by:

/s/ Jonathan Wiesblatt (signed)
CEO

/s/ Sendy Shorser (signed)
CFO

(Expressed in U.S. dollars)

	Notes	Year ended May 31, 2023	Year ended May 31, 2022
		$	$
Revenue			
Net realized gain (loss) on digital assets	10	(1,034,449)	4,740,467
Net realized gain (loss) and revenues earned from providing liquidity in liquidity pools	11	411,472	(4,345,018)
Staking revenue		44,679	-
Other revenue		333,799	6,478
		(244,499)	**401,927**
Expenses			
Impairment losses on financial assets – net	12	(3,930,218)	-
Share-based compensation	9	(724,080)	(4,358,599)
Professional fees	14	(718,229)	(973,885)
General and administrative expenses		(534,328)	(235,823)
Interest expense – digital assets		(306,345)	-
Research and development		(296,864)	(108,964)
Information technology		(114,391)	(100,561)
Penalties and settlements		(60,877)	-
Advertising, marketing and investor relations		(52,789)	(313,039)
Direct transaction costs		(47,003)	(71,176)
Depreciation	8	(3,228)	(1,202)
Listing expenses	5	-	(1,259,091)
Exchange gain (loss)		1,456	(54,275)
		(6,786,896)	**(7,476,615)**
Net loss and comprehensive loss		**(7,031,395)**	**(7,074,688)**
Basic income (loss) per common share		(0.13)	(0.17)
Diluted income (loss) per common share		(0.13)	(0.17)
Weighted average number of common shares outstanding – basic		**53,837,246**	**40,955,004**
Weighted average number of common shares outstanding – diluted		**53,837,246**	**40,955,004**

Liquid Meta Capital Holdings Ltd.
Statements of changes in Shareholders' Equity
For the years ended May 31, 2023 and 2022
(Expressed in U.S. dollars)

		Share Capital		Reserves			
	Notes	Number of shares	Amount	Options	Warrants	Deficit	Total
		#	$	$	$	$	$
Balance as at May 31, 2021		11,601,623	2,129,031	83,410	36,786	(165,605)	2,083,622
Shares issued Pre-RTO	9	870,136	2,249,999	-	-	-	2,249,999
Total Shares Pre-RTO		12,471,759	4,379,030	83,410	36,786	(165,605)	4,333,621
Increase in shares due to share split	9	19,777,571	-	-	-	-	-
Shares issued in private placements	9	20,575,999	20,575,999	-	-	-	20,575,999
Shares issued for reverse takeover (RTO)	9	802,511	802,511	-	-	-	802,511
Warrants exercised	9	209,406	271,035	-	(201,028)	-	70,007
Share issuance cost		-	(1,522,691)	-	(11,375)	-	(1,534,066)
Share-based compensation	9	-	-	3,018,490	1,340,109	-	4,358,599
Net loss and comprehensive loss		-	-	-		(7,074,688)	(7,074,688)
Balance as at May 31, 2022		53,837,246	24,505,884	3,101,900	1,164,492	(7,240,293)	21,531,983

		Share Capital		Reserves			
	Notes	Number of shares	Amount	Options	Warrants	Deficit	Total
		#	$	$	$	$	$
Balance as at May 31, 2022		53,837,246	24,505,884	3,101,900	1,164,492	(7,240,293)	21,531,983
Share-based compensation	9	-	-	658,250	65,830	-	724,080
Return of Capital	1		(10,767,449)			-	(10,767,449)
Net loss and comprehensive loss		-	-	-	-	(7,031,395)	(7,031,395)
Balance as at May 31, 2023		53,837,246	13,738,435	3,760,150	1,230,322	(14,271,688)	4,457,219

The accompanying notes are integral to the financial statements

Liquid Meta Capital Holdings Ltd.
Statements of Cash Flows
For the years ended May 31, 2023 and 2022
(Expressed in U.S. dollars)

	Notes	Year ended May 31, 2023	Year ended May 31, 2022
		$	$
OPERATING ACTIVITIES			
Net loss for the year		(7,031,395)	(7,074,688)
Adjustments for non-cash items:			
Share-based compensation	9	724,080	4,358,599
Depreciation	8	3,228	1,202
Listing expenses	5	-	802,511
Impairment loss on financial assets	12	3,930,218	-
Net realized loss (gain) on providing liquidity in liquidity pools	11	411,472	4,345,018
Changes in operating assets and liabilities:			
USD coin		20,077,024	(24,146,542)
Receivables from decentralized platforms		953,739	(1,642,031)
Digital assets - inventories		936,182	(6,443)
Amounts receivable		(10,551)	(1,452)
Receivable from centralized exchanges		(4,860,126)	-
Prepaid expenses		43,876	(90,867)
Accounts payable and accrued liabilities		(234,298)	335,593
Digital asset loans payable – USD coin		7,103	-
Cash flows from (used in) operating activities		**14,950,552**	**(23,119,100)**
Investing Activity			
Purchase of equipment	8	(5,498)	(1,387)
Cash flows (used in) investing activities		**(5,498)**	**(1,387)**
Financing Activities			
Proceeds from issue of shares	9	-	22,599,999
Share issuance transaction cost		-	(1,296,692)
Proceeds from exercise of warrants		-	58,632
Return of capital		(10,767,449)	-
Cash flows from (used in) financing activities		**(10,767,449)**	**21,361,939**
Net increase in cash and cash equivalents		4,177,605	(1,758,548)
Cash and cash equivalents, beginning of year		418,061	2,176,609
Cash and cash equivalents, end of year		**4,595,666**	**418,061**
NON-CASH ITEMS			
Shares issued in lieu of services provided		-	225,999
Shares issued during reverse take over		-	802,511
Warrants reserve reclass from share issuance		-	11,375
		-	1,039,885

1. NATURE OF OPERATIONS

Liquid Meta Capital Holdings Ltd. ("Liquid Meta" or the "Company") was incorporated under the laws of British Columbia on January 6, 2020. On December 21, 2022, the Company announced that it initiated a process to evaluate potential strategic alternatives and that it was pausing the development of its proprietary software and tools to access, automate, and scale operations within the decentralized finance ("DeFi") segment of the cryptocurrency industry. On March 9, 2023, the Company further announced that its Board of Directors had concluded the initial phase of its previously announced strategic review process, as disclosed in the Company's press release dated December 21, 2022. In May 2023, as part of its Strategic Review, the Board determined that it is desirable and in the best interest of the Company to discontinue the operations of the Company's crypto liquidity business and discontinue the development of the Company's MetaBridge technology, following which the Company will have no active business operations.

The Company's registered address is 700-401 West Georgia Street, Vancouver, British Columbia, V6B 5A1.

These financial statements were approved and authorized for issuance by the Board of Directors on November 7, 2023.

On December 17, 2021, the Company amalgamated with a shell company 1287413 B.C. Ltd. ("413") (the "Amalgamation") in order to effect a reverse takeover of "413" as part of a go public process (the "RTO"). The Amalgamation provided for a split (the "Share Split") of the Company's common shares of 2.5858 post-Amalgamation common shares for each pre-Amalgamation common share. The Share Split has been reflected in the financial statements retroactively.

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

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

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

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The financial statements including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Standards Interpretations Committee ("IFRIC"). The policies applied to the financial statements are based on IFRS, which have been applied consistently to all periods presented.

(b) Basis of measurement

The financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments measured at fair value upon initial recognition.

(c) Functional and presentation currency

The financial statements are presented in United States dollars, which is the Company's functional and presentational currency.

(d) Amended accounting standards adopted

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on June 1, 2022 that have a material effect on the financial statements of the Company.

(e) Standards issued but not yet effective

The following amendments to existing standards have been issued and are applicable to the Company for its annual period beginning on June 1, 2023 and thereafter, with an earlier application permitted:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 *Presentation of Financial Statements*;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

The following amendments to existing standards have been issued and are applicable to the Company for its annual period beginning on June 1, 2024 and thereafter, with an earlier application permitted:

- Non-current liabilities with covenants – Amendments to IAS 1 Presentation of Financial Statements;
- Lease liability in sale and leaseback – Amendment to IFRS 16 Leases; and
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The Company is currently evaluating the impacts of adopting these amendments on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) *Business combination*

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Company assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Company's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognized as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognized as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognized and also recognizes additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(b) Foreign Currency

IAS 21 the effects of changes in foreign exchange rates, takes a functional currency approach. The Company determines its functional currency as the currency of the primary economic environment in which the entity operates.

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(c) Research and Development

Expenditures on research activities are recognized as an expense in the period incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- Understanding of how the intangible asset will generate probable future economic benefits;
- Availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and,
- The ability to reliably measure the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above.

Where no internally generated intangible asset can be recognized, development expenditures are recognized in profit or loss in the period incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

All costs in the year were determined to be development expenses and are being recognized in the statements of loss and comprehensive loss.

(d) Cash and cash equivalents

Cash and cash equivalents include all cash on demand and all highly liquid investments with a maturity of three months or less, at the time of purchase.

(e) Digital assets

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

The Company values its digital currency inventories based on the average quoted rates from various cryptocurrency exchanges. Closing prices were manually taken between 10PM to 11PM Eastern Standard Time. The Company believes any price difference between the principal market and the average of quoted rates to be immaterial. Management considers this fair value to be a level 2 input under IFRS 13 *Fair Value Measurement* ("IFRS 13") fair value hierarchy as the price on this source represents the average quoted prices on multiple cryptocurrency exchanges.

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

USD coin is classified as a financial instrument in accordance with IFRS 9 on the basis that one USD coin can be redeemed for one U.S. dollar on demand from the issuer. It has been presented as a separate line on the statements of financial position.

(f) Receivables from decentralized platforms

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

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

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

Upon redemption of the LP tokens, realized gain or loss is determined based on the fair value of the LP tokens at redemption compared to the cost of obtaining them. This is included within "Net realized gain (loss) and revenues earned from providing liquidity in liquidity pools " in the statements of loss and comprehensive loss.

(g) Equipment

Equipment consists of computer equipment and is recorded at cost less related accumulated depreciation and impairment losses. Cost includes all expenditures incurred to bring the asset to the location and condition necessary for it to be operated in the manner intended by management. Depreciation is recognized based on the cost of the item less its estimated residual value, over its estimated useful life on a straight life basis over three years.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date and adjusted prospectively if appropriate.

An item of equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of income (loss) and comprehensive income (loss) when the asset is derecognized.

(h) Impairment of long-lived assets

As of the end of each reporting period, the Company reviews the carrying amounts of its equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Long-lived assets with indefinite useful life, or those not yet available for use, are tested for impairment annually. When it is not possible to estimate the recoverable amount of an individual asset, The Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than it's carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequent reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

Financial assets were classified as follows:

Classification	**IFRS 9**
Cash and cash equivalents	Amortized cost
USD coin*	Amortized cost
Receivables from decentralized platforms	FVTPL
Amounts receivable	Amortized cost

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

Subsequent measurement – financial assets at amortized cost

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

Derecognition

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

Impairment

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

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

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

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

<u>Financial liabilities</u>

Initial recognition and measurement

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

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognized in other income or expense in the statements of income(loss) and comprehensive income (loss).

Financial liabilities were classified as follows:

Classification	**IFRS 9**
Accounts payable and accrued liabilities	Amortized cost
Digital asset loans payable – USD Coin	Amortized cost

Offsetting

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

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

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

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

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

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

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

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

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

(j) Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. IFRS 15 is applied by analogy, since there is no formal contract present when interacting with decentralised applications. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenue from rewards earned from providing liquidity in liquidity pools

The Company engages in liquidity mining activities where it acts as a liquidity provider and deposits certain tokens into certain DeFi platforms' liquidity pools. Transactions within liquidity pools are governed by a self-executing code referred to as a smart contract.

In liquidity mining, the Company earns rewards from providing liquidity in liquidity pools and share in trading fees earned by liquidity pools. The share in trading fees is a component of rewards earned from providing liquidity in liquidity pools. A certain percentage of trading fees on DeFi platforms are automatically fed back into the liquidity pools to make the pools more valuable over time. The liquidity pool providers will therefore earn their pro rata share of trading fees every time a trade is executed by the liquidity pools.

Depositing and holding liquidity pool tokens in a liquidity pool for a certain contract term represents one performance obligation. In determining the contract term, the Company considered the length of time during which the Company can monitor and can decide whether to exit from a reward pool and whether the Company has reasonable ability to do so. Every contract period, the Company will make a decision on whether to exit from the reward pool. This is done perpetually throughout the smart contract term, and it renews each and every contract period ("evergreen contract term") without any additional costs or penalties. Since the smart contract will renew without additional cost under the same terms, there is not a material right associated with the evergreen renewal clause. Therefore, the Company assessed that there are no material rights for future services granted under the contract.

The Company assessed that each contract renewal is considered as a contract modification. The Company further assessed that the contract modification is a separate contract because the modification results in a promise to deliver additional goods that are distinct (i.e. quantity of depositing and holding liquidity pool tokens in a liquidity pool); and an increase in the price of the contract by an amount of consideration that reflects the Company's stand-alone selling price for those goods (i.e. the amount of trading fees would be based on the portion of the total trading fees generated by the liquidity pools in which the Company's liquidity pool tokens are deposited in comparison to the all liquidity pools on the platform).

As the liquidity pool simultaneously receives and consumes the benefits provided by the Company's liquidity pool tokens, the Company has determined that its performance obligation is satisfied over time. Depositing and holding liquidity pool tokens in a liquidity pool represents a single performance obligation that represents a promise to transfer to the customer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price relating to revenue from liquidity mining, the Company considered the effects of all of the following:

- Variable consideration,
- Constraining estimates of variable consideration,
- The existence of a significant financing component in the contract, and
- Non-cash consideration.

The consideration is all variable because rewards earned will be proportional to the total number of liquidity pool tokens staked. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the Company is able to resolve the variable consideration, which occurs at the end of each contract period. Revenue from rewards earned from providing liquidity in liquidity pools is recognized over time (measured at the beginning of each contract period). The transaction consideration the Company receives is a non-cash consideration, which the Company measures at fair value by reference to the quoted market price of the rewards from providing liquidity and pair of tokens representing proportionate share in rewards multiple times a day at times (i.e. inception of the contract).

Staking revenue

The Company acts as a delegator in a staking activity in which the Company stakes its digital assets with a trusted validator instead of operating a node and validating blockchain transactions itself.

As a delegator, the Company secures the network by delegating its stake to validator nodes. The Company earns a portion of the rewards generated by validators by securing the network and producing blocks per respective period/epoch/era (varies based on the platform or the chain).

When the Company elects to de-stake digital assets acting either as delegator or validator, an unbonding period may apply. During this period, the Company typically no longer earns staking rewards on the de-staked digital assets and is subject to slashing, but it cannot sell (or otherwise transfer) those digital assets. The unbonding period varies based on the platform or the chain. The company was subjected to unbonding periods of up to 21 days in length.

The performance obligation is the delegation of the Company's tokens to a validator node for certain contract period (which varies from one chain to another) plus the unbonding period. In determining the contract period, the Company considered the length of time during which the Company can monitor and can decide whether to exit from the reward pool and whether the Company has reasonable ability to do so. At the end of every contract period the Company will decide on whether to unbond its position from the staking pool without additional cost or penalty. Since the smart contract will renew without additional cost under the same terms, there is not a material right associated with the evergreen renewal clause. Therefore, the Company assessed that there are no material rights for future services granted under the contract.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price relating to rewards from liquidity mining, the Company considered the effects of all of the following:

- Variable consideration,
- Constraining estimates of variable consideration,
- The existence of a significant financing component in the contract, and
- Non-cash consideration.

The consideration is all variable because staking rewards earned will be proportional to the total number of delegated assets staked and network's inflation rate. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the Company is able to resolve the variable consideration, which occurs at the end of each contract period. Revenue is recognized over time, which is measured at the beginning of each contract period. The transaction consideration the Company receives is non-cash consideration, which the Company measures at fair value by reference to the quoted market price of the rewards at the beginning of each day (i.e. inception of the contract).

Interest income from digital currencies related to lending activities

From time to time, the Company loans out digital currencies to earn interest on these digital currencies. The loans are in both open and closed terms at varying interest rates. Interest rates are based on a percentage of the digital currencies loaned and are denominated in the related digital currencies.

Sale of digital assets

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

(i) Income taxes

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

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

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

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

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

(j) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or entities. A transaction is considered to be a related party transaction when there is transfer of resources or obligations between related parties.

(k) Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares, options and warrants are recognized as a deduction from equity, net of tax, from the proceeds.

(l) Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as units. The proceeds from the issuance of units are allocated between share capital and warrants. The warrant component is recorded in warrant reserve. Unit proceeds are allocated to common shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in warrant reserve, is recorded as an increase to share capital. For any warrants that do not vest upon issuance, a forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of warrants that vest. Upon expiration of warrants, the amount applicable to expired warrants is moved to contributed surplus.

(m) Stock options

Each tranche of an award with graded vesting periods is considered a separate grant at each grant date for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted, the estimated volatility, estimated risk-free rate and estimated forfeitures. The value of the options granted is recognized over the vesting period in share-based compensation expense in the statements of income (loss) and comprehensive income (loss), and in options reserve. Upon exercise, shares are issued from treasury and the amount reflected in options reserve is credited to share capital, along with any consideration paid. Upon expiration of options, the amount applicable to expired options is moved from options reserve to contributed surplus.

If a grant of the share-based payments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting and recognizes immediately the amount that otherwise would have been recognized for services over the remainder of the vesting period.

The amount recognized for goods or services received during the vesting period are based on the best available estimate of the number of equity instruments anticipated to vest. The Company revises that estimate, if necessary, if subsequent information indicates that the number of share options anticipated to vest differs from previous estimates. On vesting date, the Company revises the estimate to equal the number of equity instruments that ultimately vested. After vesting date, the Company makes no subsequent adjustment to total equity for goods or services received if the share options are later forfeited or they expire at the end of the share options' life.

If a grant of the share-based payment is modified during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) and the fair value of the new instruments is higher than the fair value of the original instrument, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments vests, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period of the original instrument.

(n) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings/loss of an entity. In periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of diluted stock options and warrants are used to repurchase common shares at the average price during the period.

(o) Acquisitions

As a 'Reverse Takeover' does not meet the definition of a business combination under IFRS 3 Business Combinations, "1287413 B.C. Ltd." (413) is treated as the acquiree and Liquid Meta Capital Holdings Ltd is treated as acquirer, and the equity consideration to the "413" shareholders is measured at fair value, using the acquisition method of accounting, and the costs of RTO, including the shares issued, are expensed as listing costs. The go-forward entity is deemed to be a continuation of Liquid Meta and Liquid Meta is deemed to have acquired control of the assets and operations of "413" in consideration for the issuance of shares.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both the current and future periods.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Functional currency

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing, and related transactions. Specifically, the Company considers the currencies in which digital currencies are most denominated and the currencies in which expenses are settled, by each entity, as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

(b) Accounting for digital assets and receivables from decentralized platforms

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

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

(c) Valuation of digital assets and receivables from decentralized platforms

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

(d) Share-based payments

The fair value of share-based compensation expenses is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture of options or warrants granted.

(e) Going concern

Management assessed the going concern basis of accounting based on the current cash reserves. The Company's current cash reserves are sufficient for the company to maintain current expenditure rates for the foreseeable future.

(f) Taxes

Determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and interpretation of the treatment for tax purposes of cryptocurrencies by taxation authorities. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. Such differences may affect the final amount or the timing of the payments of taxes. The Company provides for such difference where known based on management's best estimate of the probable outcome of these matters.

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate for the full financial year. The estimated annual tax rate used for the financial year ended May 31, 2023 is 27% (2022 - 27%).

5. RTO

On December 17, 2021 the Company amalgamated with 413 in order to effect a reverse takeover of 413 as part of a go public process. The Amalgamation provided for a split of the Company's common shares of 2.5858 post-amalgamation common shares for each pre-amalgamation common share. Prior to completion of the transaction, the common shares of 413 were consolidated on the basis of 5.5146 pre-consolidation common shares of 413 for each one post-consolidation common share of Liquid Meta. The option holders and warrant holders of Liquid Meta received 2.5858 options and warrants respectively, of Liquid Meta for each option or warrant respectively, of Liquid Meta held immediately prior to completion of the transaction, with the exercise prices adjusted accordingly. The Share Split has been reflected in these financial statements retroactively.

The RTO has been accounted for in accordance with IFRS 2 Share-based payments. The RTO is considered to be a reverse take-over of 413 by Liquid Meta. An RTO transaction involving a non-public operating entity and a non- operating public company is in substance a shared based payment transaction rather than a business combination. The transaction is equivalent to the issuance of common shares by the non-public operating entity Liquid Meta, for the net assets and the listing status of the non-operating public company, 413". The transaction was negotiated and completed at arm's length.

(Expressed in U.S. dollars)

At the date of the Acquisition the RTO was recorded as follows:

Consideration	$
Fair value of 802,511 common shares	802,511
Net assets acquired (liabilities assumed):	
Cash	11,005
Other receivables	1,220
Accounts payable and accrued liabilities	(52,531)
Due to related parties	(16,266)
Total net liabilities assumed	(56,572)
Listing fee	**859,083**
Other listing expenses	400,008
Total listing expenses	**1,259,091**

The value of the shares issued to 413 plus the excess of fair value of net liabilities assumed is considered an expense of acquiring a public listing and as a result, the listing fee expense is $859,083.

6. CASH AND CASH EQUIVALENTS

	2023	**2022**
	$	**$**
Cash at banks	45,857	418,061
Short-term deposits	4,549,809	-
	4,595,666	418,061

None of the deposits are redeemable and credit with interest at maturity. Included in amounts receivable is interest of $10,555 accrued on deposits that are outstanding but not redeemed as of May 31, 2023. Terms and details of the deposits open as of May 31, 2023 are as follows:

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

7. RECEIVABLES FROM DECENTRALIZED PLATFORMS

Receivables from decentralized platforms relating to liquidity pool tokens amounted to $nil and $1,365,211 as at May 31, 2023 and 2022, respectively. At May 31, 2022, these receivables were from two decentralized platforms.

(Expressed in U.S. dollars)

The fair value of receivables from decentralized platforms is determined based on quoted prices of digital assets underlying the liquidity pool tokens taken at 23:59:59 EST from certain exchanges and the proportionate number of underlying digital assets associated with the hypothetical redemption of a given liquidity pool token that the Company held as of May 31, 2022. Management considers the fair value of digital assets to be Level 2 under IFRS 13 fair value hierarchy, as the volume weighted average price taken from multiple digital currency exchanges. There has been no change in the valuation techniques during the year.

8. EQUIPMENT

Equipment is as follows:

	2023 $	2022 $
Cost		
Balance, beginning of year	4,185	2,798
Additions	5,498	1,387
Balance, end of year	**9,683**	**4,185**
Accumulated amortization		
Balance, beginning of year	**1,202**	**-**
Depreciation for the year	3,228	1,202
Balance, end of year	**4,430**	**1,202**
Net book value	**5,253**	**2,983**

9. SHAREHOLDERS' EQUITY

(a) Authorized

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

(b) Issued

No shares were issued for the year ending May 31, 2023. During the year ended May 31, 2022, the Company issued commons shares as listed below:

- On November 24, 2021, the Company issued 870,136 common shares at $2.59 per share for aggregate proceeds of $2,249,999. 249,998 of these common shares were issued to an individual who became a director in December 2021.

- On the Closing Date of December 17, 2021, Liquid Meta shares were sub divided on the basis of one pre-Share split Liquid Meta Share for 2.5858 post-Share split Liquid Meta Shares. Thus, resulting in the split of number of outstanding shares of 11,601,623 into 29,999,477. 870,136 shares issued on November 24, 2021 were split into 2,249,853 post RTO valued at $1.00 per share.

- On December 17, 2021, the Company issued 20,000,000 common shares at the value of $1 each share for subscription receipts done on November 30, 2021.

(Expressed in U.S. dollars)

- On December 17, 2021, the Company issued 350,000 common shares at the value of $1 each share for subscription receipts done on December 2, 2021.

- On December 17, 2021, the Company issued 125,999 common shares at the value of $1 each share in consideration for the services rendered by an agent.

- On December 17, 2021, the Company issued 100,000 common shares at the value of $1 each share in consideration for capital markets support and advisory services.

- On December 17, 2021, the Company issued 802,511 common shares with a fair value of $1 per share to complete the Amalgamation (see note 5).

- On February 3, 2022, 209,406 warrants were converted to 209,406 common shares at an exercise price of $0.28 per share for aggregate gross proceeds of $58,632.

The following table is the summary of shares issued and split during the year ended May 31, 2022:

Date	Description	Number of shares
24-Nov-21	Pre-IPO– Private placement	870,136
17-Dec-21	Increase in shares due to share split	19,777,571
17-Dec-21	Post-IPO– Private placement	20,575,999
17-Dec-21	Post-IPO– Reverse takeover (RTO)	802,511
03-Feb-22	Post-IPO– Warrants exercised	209,406
Total		**42,235,623**

No dividends have been paid or declared by the Company since inception until May 31, 2023.

(c) Stock options

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

The following is a summary of option issuances for the years ended May 31, 2023 and 2022:

	2023		**2022**	
	Outstanding	**Weighted average exercise price**	**Outstanding**	**Weighted average exercise price**
	#	**$**	**#**	**$**
Balance, beginning of year	4,900,755	0.89	300,000	0.75
Pre RTO options revised	-	-	(300,000)	(0.75)
Outstanding as of December 17, 2021	-		-	
Options granted	150,000	1.00	775,755	0.29
Options cancelled and forfeited	(4,275,000)	1.00	-	-
Granted post RTO	-	-	4,125,000	1.00
Balance, end of year	**775,755**	**0.29**	**4,900,755**	**0.89**

(Expressed in U.S. dollars)

There were 4,275,000 options that expired and were forfeited during the year ended May 31, 2023. There were no options that expired, forfeited or were exercised during the year ended May 31, 2022.

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

During 2023, the management made the following assumptions: Nil dividends, 156% volatility; risk-free rate in the range of 1.18% to 3.30% whereas during 2022, the management made the following assumptions: Nil dividends, 156% volatility; risk-free rate in the range of 1.18% to 2.34%
The following table is a summary of the Company's options outstanding as of May 31, 2023 and 2022:

As at May 31, 2023			As at May 31, 2022		
Outstanding	**Exercise price**	**Expiry date**	**Outstanding**	**Exercise price**	**Expiry date**
#	**$**	**$**			
775,755	0.29	May 31, 2026	775,755	0.29	May 31, 2026
			2,900,000	1.00	December 17, 2026
			400,000	1.00	June 22, 2022
			100,000	1.00	October 25, 2026
			400,000	1.00	January 9, 2027
			100,000	1.00	January 30, 2027
			225,000	1.00	March 23, 2027
775,755	**0.29**		**4,900,755**	**0.89**	

For the year ended May 31, 2023, $658,250 (2022 - $3,018,490) was recognized in options reserve and share-based compensation. Weighted average remaining contractual life of options outstanding at May 31, 2023 was 3.00 years (2022 - 4.48 years).

(d) Warrants

The following is a summary of warrant issuances for the years ended May 31, 2023 and 2022:

	2023		2022	
	Outstanding	**Weighted average exercise price**	**Outstanding**	**Weighted average exercise price**
	#	**$**	**#**	**$**
Balance, beginning of year	1,596,237	0.77	279,856	0.75
Pre-RTO options revised	-	-	(279,856)	(0.73)
Outstanding as of December 17, 2021	-	-	-	
Options granted	-	-	723,651	0.28
Granted post-RTO	-	-	1,081,992	1.00
Expired	(77,201)	(0.28)	-	-
Exercised	-	-	(209,406)	0.28
Balance, end of year	**1,519,036**	**0.79**	1,596,237	0.77

(Expressed in U.S. dollars)

Weighted average remaining contractual life of warrants outstanding as of May 31, 2023 was 1.23 years (2022 - 2.17 years).

During 2023, the management made the following assumptions: Nil dividends, volatility in the range of 143% to 156%; risk-free rate in the range of 0.66% to 1.19% whereas during 2022, the management made the following assumptions: Nil dividends, volatility in the range of 143% to 156%; risk-free rate in the range of 0.66% to 1.19%

The following table is a summary of the Company's warrants outstanding as of May 31, 2023 and 2022:

As at May 31, 2023			As at May 31, 2022		
Outstanding	**Exercise price**	**Expiry date**	**Outstanding**	**Exercise price**	**Expiry date**
#	$			$	
437,044	0.28	May 1, 2026	437,044	0.28	May 1, 2026
-	-	-	77,201	0.28	May 1, 2023
1,081,992	1.00	December 17, 2023	1,081,992	1.00	December 17, 2023
1,519,036	**0.79**		**1,596,237**	**0.77**	

For the year ended May 31, 2023, $65,830 (2022 - $1,340,109) was recognized in warrants reserve and share-based compensation.

(e) Escrowed Securities

As per the Escrow Agreement signed on December 17, 2021, between the Company and Odyssey Trust Company in connection with the RTO, the Company's 21,218,097 shares and 775,755 options beneficially owned by certain directors and officers of the Company were placed in escrow with an escrow agent. ¼ of these shares and options were released on December 20, 2021. The remaining escrowed securities were released from escrow as follows:

- 1/3 of the remaining escrowed securities were released on June 20, 2022;
- 1/2 of the remaining escrow securities were released on December 20, 2022; and
- Any remaining escrow securities were released on June 20, 2023.

As of May 31, 2023, 5,312,026 (2022 - 15,906,076) common shares were held in escrow.

(f) Voluntary pooling arrangement

In addition, 33,038,265 common shares were subject to a voluntary pooling arrangement pursuant to which common shares were subject to resale restrictions.

- 25% of these shares were released on December 17, 2021;
- 25% were released on March 17, 2022; and
- Remaining 50% were released on June 17, 2022.

As of May 31, 2023, no common shares (2022 - 16,519,157) were subject to resale restrictions.

(Expressed in U.S. dollars)

10. NET REALIZED GAIN (LOSS) ON DIGITAL ASSETS

Components of revenue earned from cryptocurrencies classified as inventory are:

	2023 $	2022 $
Net realized gain (loss) on sale of digital assets	(1,039,715)	4,742,230
Unrealized loss – net	5,266	(1,763)
	(1,034,449)	4,740,467

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

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

	2023 $	2022 $
Rewards earned from providing liquidity in liquidity pools	483,652	1,731,344
Trading fees	233,251	678,781
Net realized loss on sale of LP tokens	(302,948)	(6,497,245)
Unrealized gain on LP/Crema tokens	2,392	(276,820)
Other	(4,875)	18,922
	411,472	(4,345,018)

12. IMPAIRMENT LOSSES ON FINANCIAL ASSETS - NET

	2023 $	2022 $
FTX losses	3,824,509	-
Crema Finance ("Crema") losses	105,709	-
	3,930,218	-

The Company recognized $3,824,509 in losses due to the write-off of net USD held in FTX as of November 11, 2022, following FTX's bankruptcy filing. As at the year-end of May 31*st*, 2023, the management had no indication of whether or not there was going to be a recovery from FTX. See note 18.

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

Accordingly, the Company received 792,579 in USDT and 433,914 in USDC on July 15, 2022 and received 1,907,259 CRM tokens valued at $127,026 during the year ended May 31, 2023, and 381,482 CRM tokens subsequent to May 31, 2023. The Company recognized $105,709 in losses during the year ended May 31, 2023.

(Expressed in U.S. dollars)

13. INCOME TAX

The following table reconciles income tax recovery calculated at the basic Canadian corporate tax rate with the income taxes recorded in these financial statements, if any:

	2023 $	2022 $
Loss before income taxes	(7,031,395)	(7,074,688)
Combined federal and provincial income tax rate	27%	27%
Income tax recovery at statutory rate	(1,898,477)	(1,910,166)
Nondeductible expenses	195,502	1,176,822
Other	160,574	
Change in unrecognized deferred tax assets	1,542,401	733,344
Income taxes	-	-

The Company has not recognized a deferred tax asset of $2,326,717 (2022 - $448,593) with respect to the loss carry forward as it is not probable that sufficient future taxable profit will be available against which the Company may use the benefits.

The Company has non-capital tax losses of $8,617,472 (2022 - $1,661,455) in Canada that may be applied to reduce future years' taxable income should there be taxable income in future. Of those losses, $402,822 expires in 2042, $1,387,853 in 2043 and $6,826,796expires in 2044.

The tax effects of temporary differences that give rise to deferred tax assets and liability are as follows:

	2023 $	2022 $
Loss carryforward	2,326,717	448,593
Share issuance costs	480,522	740,382
Eligible capital expenditures	12,267	12,912
Receivables from decentralized platforms	-	74,741
Digital assets	-	476
Unrecognized deferred tax assets	(2,819,506)	(1,277,104)
Net deferred tax assets	-	-

14. RELATED PARTY TRANSACTIONS

Key management includes personnel having the authority and responsibility for planning, directing and controlling the Company as a whole. The Company has determined its key management personnel to be executive officers and directors of the Company.

a) Included in accounts payable and accrued liabilities as at May 31, 2023 is $16,544 (May 31, 2022 - $16,544) payable to a shareholder who has 27.84% of the Company's shares in exchange for USDC (USD Coin, a fiat-backed digital asset coin) and SOL digital currency and $27,263 payable and accrued to officers of the company as at May 31, 2023 (May 31, 2022 - $78,601).

(Expressed in U.S. dollars)

b) Included in professional fees, are expenses for the year ended May 31, 2023 are $177,783 incurred with officers of the Company (2022 - $189,374) and Consulting fees for the year ended May 31, 2023, equal to $205,144, incurred with officers of the Company (2022 - $442,511).

c) Included in the share-based compensation for the year ended May 31, 2023 is $573,170 incurred with directors and officers of the Company (2022 – $2,600,017).

d) Included in payroll for the year ended May 31, 2023 is $138,500 incurred with directors and officers of the Company (2022 - $37,000)

15. CAPITAL MANAGEMENT

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

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

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

16. FINANCIAL INSTRUMENTS

	As at May 31, 2023	As at May 31, 2022
	$	**$**
Financial assets		
FVTPL, measured at fair value		
Receivables from decentralized platforms*	-	1,365,211
Financial assets, measured at amortized cost:		
Cash and cash equivalents	4,595,666	418,061
Amounts receivable	12,066	1,515
USD coin	1,320	20,078,344
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	213,194	447,492
Digital asset loans payable – USD coin	7,103	-

*"Receivables from decentralized platforms" do not include any USD Coin or other digital assets as of May 31, 2023 as collateral within various decentralized applications (USD coin used as collateral as of May 31, 2022 is Nil).

The Company has determined the estimated fair value of its financial instruments, if any, based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments, if any, are not materially different from their carrying values.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 of the fair value hierarchy based on the degree to which inputs used in measuring fair value is observable:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. There are no financial instruments measured at fair value which are classified as Level 1.

Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Receivables from decentralized platforms and USD coin as indicated in the statements of financial position are classified as level 2 financial instruments.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company does not have any level 3 financial instruments.

Risk exposure and management

The Company's financial instruments are exposed to certain financial risks, which include the following:

(a) ***Credit risk***

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

The Company manages credit risk, in respect of cash and cash equivalents, by maintaining bank accounts at highly rated financial institutions. The Company performs due diligence checks before investing in any decentralized platforms. As at May 31, 2023, the Company net USD held in FTX was written off in full. As at May 31, 2022, these financial assets were not impaired.

(b) ***Liquidity risk***

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

As at May 31, 2023 and 2022, the Company had working capital of $4,451,966 and $21,529,000, respectively.

(c) ***Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and price risk. These are discussed further below.

(d) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing financial instruments is limited to its cash and cash equivalents and therefore is not exposed to significant interest rate risk.

(e) ***Foreign currency risk***

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company holds positions in various crypto currencies which have a market value stated in US dollars. Exchange rate fluctuations affect the costs that the Company incurs in its operations. The Company's presentation currency is the US dollar and major purchases are transacted in US dollars. The fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities.

(f) ***Price risk***

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company shorts the contracts underlying of digital assets inventory on exchanges to minimize the value fluctuation of digital assets and receivable from decentralized platforms. Had the value of the contracts increased or decreased by 10% as at May 31, 2023, with all other variables remaining constant, net loss and comprehensive loss for the period would have increased or decreased by $685. (2022 – $68,623). The risk associated with USDC pertains to the issuer's (Circle) ability to maintain its current capacity of USD reserves. The reserves are held in USD treasuries so there is minimal risk of being able to convert from USDC to USD at a 1:1 rate.

17. DIGITAL ASSETS RISKS

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

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

Smart contract risk

DeFi, in several ways, substitutes custodial risk prevalent with centralized finance platforms with smart contract risk, allowing hackers and attackers to seize funds and tokens escrowed in smart contracts. Smart contracts are constantly exploited across the blockchain ecosystem, with hackers taking advantage of flaws in the code. DeFi smart contracts are managed using admin keys. These allow the key holder to make significant changes to the code, such as protocol upgrades. One way cyberattacks occur is when hackers gain control of private or admin keys, allowing them to deplete all or some of the liquidity within pools of certain projects, among others.

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

Digital asset transactions are irrevocable, and losses may occur

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

The Business of Liquid Meta will be exposed to cybersecurity risks

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

Liquidation risk

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

Reliance on Decentralized Exchanges (DEXs)

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

Reliance on Centralized Exchanges (CEXs)

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

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

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

18. SUBSEQUENT EVENTS

(a) Stock option issuance

On August 8, 2023, the Company issued 970,000 options at an exercise price of $0.075 to directors. The options expire on August 8, 2028. The vesting schedule is as follows:

- 485,000 options shall vest on August 8, 2023;
- 485,000 options shall vest on August 8, 2024.

(b) FTX Recovery Plan

Subsequent to the year-end, Liquid Meta entered into a contractual agreement to transfer its claim against FTX Trading Ltd. As per the contract, in exchange for Liquid Meta's net claim for the full value of the loss, Liquid Meta will receive $1,428,099.

(c) Cease Trade Order issued

On September 12, 2023, a cease trade order was issued against the Corporation by the British Columbia Securities Commission (the "Cease Trade Order") for failure to file (i) the audited annual financial statements of the Corporation for the year ended May 31, 2023; (ii) management's discussion and analysis relating to the audited annual financial statements of the Corporation for the year ended May 31, 2023; and (iii) certification of the foregoing filings as required by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (collectively, the "2023 Annual Filings").