LQWD FINTECH CORP.

Condensed Consolidated Interim Financial Statements

First Quarter ended May 31, 2022

Unaudited

(Expressed in Canadian dollars)

LQWD FINTECH CORP.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	May 31, 2022	February 28, 2022
Assets		
Current:		
Cash and cash equivalents	$ 962,854	$ 871,449
Amounts receivable	35,293	39,696
Digital currencies (Note 8)	5,658,989	8,295,599
Prepaid expenses	21,273	47,636
	6,678,409	9,254,380
Non-Current:		
Intangible assets (Note 5)	4,961,817	5,649,733
Goodwill	2,838,279	2,838,279
Property and equipment (Note 6)	159,498	178,250
Restricted cash	65,148	65,135
	$ 14,703,151	$ 17,985,777
Liabilities and Equity		
Current:		
Accounts payable and accrued liabilities	$ 449,953	$ 400,775
Current portion of lease liability	52,394	51,992
	502,347	452,767
Non-Current:		
Long term portion of lease liability	65,982	77,362
	568,329	530,129
Shareholders' equity		
Capital stock (Note 7(b))	55,853,279	55,823,279
Contributed surplus (Note 7(d))	8,225,131	7,802,520
Deficit	(49,943,588)	(46,170,151)
	14,134,822	17,455,648
	$ 14,703,151	$ 17,985,777

Nature of operations and going concern (Note 1)
Subsequent events (13)
See accompanying notes.

These financial statements are authorized for issue by the Board of Directors on August 2, 2022.

"Giuseppe (Pino) Perone"
…………………………………………………Director
Giuseppe (Pino) Perone

"Ashley Garnot"
…………………………………………………Director
Ashley Garnot

LQWD FINTECH CORP.

Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

For the three months ended May 31,		2022		2021
Revenue	$	4,878	$	35,210
General and administrative expenses				
Amortization of intangible assets		687,916		46,001
Amortization of property and equipment		14,895		194
Audit and accounting		12,500		5,000
Bank charges		1,287		1,260
Consulting fees		118,816		23,000
Insurance		296		-
Legal		985		174,436
Marketing		98,225		75,906
Office and administration		13,302		3,130
Office rent		7,171		548
Platform administration		17,499		26,856
Research and development		111,704		3,545
Salaries and benefits		88,900		27,605
Share-based compensation		422,611		55,264
Shareholder relations		8,935		4,375
Transfer and filing fees		1,723		67,578
Travel and entertainment		2,067		398
		(1,608,832)		(515,096)
Other items				
Foreign exchange		(19,083)		(15,698)
Interest and accretion income		428		233
Loss on revaluation (Note 8)		(2,146,971)		-
Write-off of property and equipment (Note 6)		(3,857)		-
		(2,169,483)		(15,465)
Net loss for the period		(3,773,437)		(495,351)
Other comprehensive income				
Change in revaluation reserve (Note 8)		-		(89,533)
Comprehensive loss for the period	$	(3,773,437)	$	(584,884)
Loss per share, basic and diluted	$	(0.04)	$	(0.02)
Weighted average number of common shares outstanding		97,709,329		31,027,572

See accompanying notes.

LQWD FINTECH CORP.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

For the three months ended May 31,	2022	2021
Operating activities		
Net loss for the period	$ (3,773,437)	$ (495,351)
Items not involving cash:		
Amortization of intangible assets	687,916	46,001
Amortization of property and equipment	14,895	194
Interest and accretion	(13)	(40)
Lease liability	(10,978)	-
Loss on revaluation	2,146,971	-
Share-based compensation	422,611	55,264
Write-off property and equipment	3,857	-
	(508,178)	(393,932)
Changes non-cash working capital:		
Amounts receivable	4,403	7,573
Prepaid expenses	26,363	(841)
Accounts payable and accrued liabilities	49,178	(43,172)
	79,944	(36,440)
Cash used in operating activities	(428,234)	(430,372)
Financing activities		
Shares subscribed	-	3,937,990
Warrants exercised	30,000	116,666
Cash provided by financing activities	30,000	4,054,656
Investing activity		
Sale of digital currencies	486,398	-
Cash provided by investing activity	486,398	-
Net inflow of cash and cash equivalents	91,405	3,624,284
Cash and cash equivalents, beginning of period	871,449	1,836,827
Cash and cash equivalents, end of period	$ 962,854	$ 5,461,111
Supplementary disclosures:		
Interest received	$ 415	$ 193
Cash	$ 945,712	$ 194,857
Short-term deposits	17,142	266,254
Restricted cash	-	5,000,000
	$ 962,854	$ 5,461,111

See accompanying notes.

LQWD FINTECH CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common Shares						
	Number	**Amount**	**Shares Subscribed**	**Revaluation Reserve (Note 6)**	**Contributed Surplus**	**Deficit**	**Total**
Balance, March 1, 2022	97,627,807	$ 55,823,279	$ -	$ -	$ 7,802,520	$ (46,170,151)	$ 17,455,648
Share-based payments	-	-	-	-	422,611	-	422,611
Net loss for year	-	-	-	-	-	(3,773,437)	(3,773,437)
Warrants exercised	150,000	30,000	-	-	-	-	30,000
Balance, May 31, 2022	97,777,807	$ 55,853,279	$ -	$ -	$ 8,225,131	$ (49,943,588)	$ 14,134,822
Balance, March 1, 2021	30,683,189	$ 23,005,991	$ 1,062,010	$ 92,083	$ 1,900,648	$ (23,210,200)	$ 2,850,532
Share-based payments	-	-	-	-	55,264	-	55,264
Shares subscribed	-	-	3,937,990	-	-	-	3,937,990
Net loss for period	-	-	-	-	-	(495,351)	(495,351)
Revaluation of digital currency	-	-	-	(89,533)	-	-	(89,533)
Warrants exercised	583,332	116,666	-	-	-	-	116,666
Balance, May 31, 2021	31,266,521	$ 23,122,657	$ 5,000,000	$ 2,550	$ 1,955,912	$ (23,705,551)	$ 6,375,568

See accompanying notes.

1. NATURE OF OPERATIONS AND GOING CONCERN

LQwD FinTech Corp. (the "Company" or "LQwD") is incorporated under the *Business Corporations Act* (British Columbia). LQwD is a technology company that is focused on developing various web-based platforms, solutions and applications. The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LQWD" and on the OTCQB market under the symbol "LQWDF".

There is no assurance that the Company's business will result in future profitable operations. The business is subject to risk, market conditions, supply and demand, and competition. The Company currently has cash available to meet its administrative overhead and maintain its assets. The recoverability of amounts shown in assets is dependent on several factors. These factors include the ability of the Company to obtain financing to complete the planned international expansion, and future cashflow from the Company's business.

However, there can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. On May 31, 2022, the Company had working capital of $6,176,062 (February 28, 2022: $8,801,613). On May 31, 2022, the Company also had an accumulated deficit of $49,943,588 (February 28, 2022: $46,170,151).

2. BASIS OF PRESENTATION AND CONSOLIDATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting, except for cash flow information. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of the policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. The accounting policies set out below have been applied consistently by the Company and its subsidiaries.

(b) Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

(c) Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the majority of the Company's subsidiaries. The functional currency of the acquired subsidiary (LQwD Financial) is the Canadian dollar.

2. BASIS OF PRESENTATION AND CONSOLIDATION *(Continued)*

(c) Functional and Presentation Currency *(Continued)*

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each consolidated statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in profit and loss.

Assets and liabilities of a subsidiary having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are presented as a translation adjustment under other comprehensive income or loss, a component of equity.

(d) Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned integrated subsidiaries.

The Company's subsidiaries are:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Coronado Resources USA LLC	USA	100%	Holding Company
LQwD Financial Corp.	Canada	100%	Technology
Skyrun Technology Corp.	Canada	100%	Technology
0980862 B.C. Ltd.	Canada	100%	Holding Company
0997680 B.C. Ltd.	Canada	100%	Holding Company
0997684 B.C. Ltd.	Canada	100%	Holding Company

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Significant accounting judgments, estimates and assumptions

The preparation of the Company's condensed consolidated interim financial statements is in conformity with IFRS, which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management judgements, estimates and assumptions include:

- Judgment is used in determining whether an acquisition is a business combination or an asset acquisition
- The determination of the useful life of the intangible assets.
- The assessment of whether certain factors (both internal and external) would be considered an indicator of impairment and whether impairment testing is required on the intangible assets.
- The determination that the Company will continue as a going concern for the next year.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Significant accounting judgments, estimates and assumptions *(Continued)*

- It is Management's judgement that digital currencies meet the definition of intangible assets in IAS 38 Intangible Assets. Digital currencies consist of cryptocurrency denominated assets and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate less costs to sell. The digital currency 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 digital currencies would have a significant impact on the Company's earnings and financial position. Fair value is determined by taking the price of the digital currencies from www.coinbase.com.
- Digital currencies generally meet the relatively wide definition of an intangible asset, as they are identifiable, lack physical substance, are controlled by the holder and give rise to future economic benefits for the holder. Intangible assets should be accounted for under IAS 38, except when they are within the scope of another standard (e.g., crypto-assets that meet the definition of a financial asset under IAS 32 or crypto-assets held for sale in the ordinary course of business under IAS 2).
- The Company is subject to income tax assessment in Canada. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken in the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of these condensed consolidated interim financial statements. Additionally, estimating income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before such deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.
- The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an equity instrument with a term equal to the expected life of the option, and the expected forfeiture rate.
- The Company recognizes revenue on the completion of transaction using the company's infrastructure or for services provided. As consideration for these services, the Company receives digital currencies from the client. Revenue is recognized when the Company receives the fee for a forwarding transaction. For hosting and other services contracts, the Company has determined that the substance of the service contracts is provision of services under IFRS 15 Revenue from Contracts with Customers. Revenue is recognized only when the amount of the contract and separate performance obligations are identified, the transaction can be measured reliably, the transaction price can be allocated to the performance obligations, and the performance obligations is satisfied. Accordingly, the Company has determined that revenue should be recognized as the provision of services under the contract is completed. Determination of separate elements under the terms of the contract and completion of performance obligation may be subject to significant judgment exercised by management.
- The functional currency of the Company and its subsidiaries has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and expenses

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Significant accounting judgments, estimates and assumptions *(Continued)*

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. The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the condensed consolidated interim financial statements.

- Management determines the estimated useful lives and residual values of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the useful lives and residual value annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

(b) Intangible assets

Intangible assets consist of the Company's virtual currency software platform, coincurve.com and buybitcoincanada.com. On June 9, 2021, the Company completed the Transaction. As of May 20, 2022, the Company has temporarily halted operations of coincurve.com to focus on expanding the Lightning network and platform.

Intangible assets acquired separately are initially recognized at cost. The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date that the Company can demonstrate all of the following: i) the technical feasibility of completing the intangible assets so that it will be available for use or sale; ii) its intention to complete the intangible asset and use or sell it; iii) its ability to use or sell the intangible asset; iv) how the intangible asset will generate probable future economic benefits; v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Until these criteria are met, expenditures are expensed as incurred. Costs incurred during the operating stage of the platform relating to upgrades and enhancements are capitalized to the extent that they result in the extended life of the product.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

The accounting for an intangible asset is based on its useful life. Intangible assets with a finite useful life are amortized over their estimated useful life. Intangible assets with an indefinite useful life are not amortized. Intangible assets under development which are not ready for use are not amortized. The amortization method, estimated useful life, carrying value and residual value are reviewed each financial year-end or more frequently if required, and are adjusted as appropriate. The coincurve.com, buybitcoincanada.com, Lightning Network Platform were assessed as having a useful life of five, two, five and seven years respectively based on management's estimate.

(c) Digital currencies

Digital currencies (Note 6) meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at the fair value of the acquisition date and the revaluation method is used to measure the digital assets subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) **Digital currencies** *(Continued)*

The Company revalues its digital assets at the end of each of its three interim financial reporting periods and at its annual financial reporting period end date. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

Digital currencies consist solely of Bitcoin and are measured at fair value using the quoted price on Coinbase.com. Management considers this fair value to be a level two input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. The Company's determination to classify its holding of Bitcoin as current assets is based on management's assessment that its Bitcoin held can be considered a commodity that may be readily sold because liquid markets are available. The Company holds the majority of its Bitcoin in Bitgo.

(d) **Revenue recognition**

IFRS 15 *Revenue from Contracts with Customers* provides a five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

The Company's revenue consists of service fees earned from customers that use the platform. Revenue is recognized when it is probable that the economic benefits will flow to the Company, delivery of the service has occurred, and collectability is reasonably assured.

(e) **Financial instruments**

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the Statement of Financial Position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL"), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost
b) FVTPL, and
c) fair value through other comprehensive income ("FVTOCI").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

a. the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Asset / Liability	**Classification / Measurement**
Cash	FVTPL
Account receivable and others	Amortized cost
Trade payables and accrued liabilities	Amortized cost
Lease obligations	Amortized cost

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

4. CHANGES IN ACCOUNTING STANDARDS

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the period ending May 31, 2022 and, accordingly, have not been applied in preparing these condensed consolidated interim financial statements.

Improving Accounting Policy Disclosures and Clarifying Distinction between Accounting Policies and Accounting Estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

4. CHANGES IN ACCOUNTING STANDARDS *(Continued)*

Standards, Amendments and Interpretations Issued but not yet Adopted *(Continued)*

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from change in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.
The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

IAS 12: Amendment to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

New and Amended Accounting Pronouncements

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;

Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and

Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the condensed consolidated interim financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond June 30, 2021 Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may

(Expressed in Canadian Dollars)

4. CHANGES IN ACCOUNTING STANDARDS *(Continued)*

New and Amended Accounting Pronouncements *(Continued)*

elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022.The amendment applies to annual reporting periods beginning on or after April 1, 2021.

However, the Company has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

5. INTAGIBLE ASSETS

	Lightning Network	Lightning Platform	BuyBitcoinCanada	Coincurve	Total
Cost					
At February 28, 2021	$ -	$ -	$ 35,000	$ 804,601	$ 839,601
Additions	5,696,000	220,000	-	-	5,916,000
At February 28, 2022	5,696,000	220,000	35,000	804,601	6,755,601
Additions	-	-	-	-	-
At May 31, 2022	$ 5,969,000	$ 220,000	$ 35,000	$ 804,601	$ 6,755,601
Accumulated depreciation					
At February 28, 2021	$ -	$ -	$ (16,042)	$ (262,535)	$ (278,577)
Depreciation	(610,285)	(33,000)	(17,500)	(166,506)	(827,291)
At February 28, 2022	(610,285)	(33,000)	(33,542)	(429,041)	(1,105,868)
Depreciation	(610,287)	(33,000)	(1,458)	(43,171)	(687,916)
At May 31, 2022	$ (1,220,572)	$ (66,000)	$ (35,000)	$ (472,213)	$ (1,793,784)
Net book value					
February 28, 2022	$ 5,085,715	$ 187,000	$ 1,458	$ 375,560	$ 5,649,733
May 31, 2022	**$ 4,475,429**	**$ 154,000**	**$ -**	**$ 332,388**	**$ 4,961,817**

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Right of Use Asset	Total
Cost					
At February 28, 2021	$ 5,022	$ -	$ -	$ -	$ 5,022
Addition	10,452	47,167	3,337	143,739	204,695
At February 28, 2022	15,474	47,167	3,337	143,739	209,717
Write-off	(8,314)	-	-	-	(8,314)
At May 31, 2022	$ 7,160	$ 47,167	$ 3,337	$ 143,739	$ 201,403
Accumulated amortization					
At February 28, 2021	$ (2,439)	$ -	$ -	$ -	$ 2,439)
Amortization	(3,205)	(2,757)	(371)	(22,695)	(29,028)
At February 28, 2022	(5,644)	(2,757)	(371)	(22,695)	(31,467)
Amortization	(1,050)	(2,220)	(277)	(11,348)	(14,895)
Write-off	4,457	-	-	-	4,457
At May 31, 2022	$ (2,237)	$ (4,977)	$ 648)	$ (34,043)	$ (41,905)
Net book value					
February 28, 2022	$ 9,830	$ 44,410	$ 2,966	$ 121,044	$ 178,250
May 31, 2022	**$ 4,923**	**$ 42,190**	**$ 2,689**	**$ 109,696**	**$ 159,498**

7. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the period ended May 31, 2022:

150,000 warrants, redeemable for one share at a price of $0.20 per share, were exercised for gross proceeds of $30,000.

During the year ended February 28, 2022:

The Company issued 883,332 warrants at a price of $0.20 per share, 280,000 warrants at a price of $0.40 per share and 92,000 warrants at a price of $0.50 per share were exercised for gross proceeds of $334,666.

The Company granted 40,000 options with an exercise price of $0.35 per share were exercised for gross proceeds of $14,000.

On March 23, 2021, the Company closed a non-brokered private placement of 20,000,000 subscription receipts at a price of $0.25 per subscription receipt for gross proceeds of $5,000,000. Each subscription receipt entitled the holder thereof to receive one share and one-half of a share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional share at a price of $0.40 per share at any time for a period of 12 months following the date of conversion of the subscription receipts. On June 9, 2021, the subscription receipts were converted into 20,000,000 common shares and 10,000,000 warrants.

On June 9, 2021, the Company issued 22,400,001 shares, valued at $0.25 per share, to the shareholders of LQwD Financial in consideration for the transfer of the issued and outstanding common shares in the capital of LQwD Financial.

7. CAPITAL STOCK *(Continued)*

(b) Issued and outstanding *(Continued)*

In connection with the above, the Company paid finder's fees in the amount of $249,150, which represents a 7% cash fee on certain of the gross proceeds raised from subscriptions introduced by arm's length parties. The Company also issued finder's securities, consisting of an aggregate of (i) 672,000 broker warrants with each broker warrant being exercisable to acquire one share at a price of $0.40 per share; and (ii) 35,000 finder's units with each finder's unit converting into one share and one-half of one share purchase warrant, with each whole such warrant entitling the holder thereof to purchase one additional share at a price of $0.40 per share. The Company also issued 100,000 compensation options to the sponsor of the financing. Each compensation option entitles the holder to purchase a unit of the Company at a price of $0.25 per unit for one year. Each unit consists of one share and one-half of one warrant (with each whole warrant entitling the holder to purchase one additional share at a price of $0.40 per share for 12 months).

On October 28, 2021, the Company completed an offering of 20,000,000 units at a price of $0.35 per unit for gross proceeds of $7,000,000. The offering was conducted by a syndicate of underwriters. The underwriters also exercised their over-allotment option in full to purchase an additional 3,000,000 units for additional gross proceeds of $1,050,000. Including the proceeds from the exercise of the over-allotment option, the total gross proceeds of the offering are $8,050,000 with an aggregate of 23,000,000 units issued. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share until October 28, 2023, at an exercise price of $0.50.

In consideration for their services, the Company paid the underwriters a cash fee equal to 7.0% of the aggregate gross proceeds of the Offering, other than in respect of Units sold to purchasers designated by the Company, for which a cash fee of 3.5% was paid, and issued an aggregate of 1,528,765 compensation warrants and 214,285 common shares as partial payment of a corporate finance fee. Each compensation warrant will be exercisable to acquire one common share at an exercise price equal to the Offering Price for a period of 24 months from the closing of the Offering, subject to adjustment in certain events.

(c) Incentive share options

The Company has a stock option plan (the “Plan”) allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the discounted market price on the grant date. Unless otherwise specified by the Board of Directors at the time of granting an option, and subject to other term limits on option grants set out in the Plan, all options must vest over a minimum of two years except options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one quarter of the options vesting in any three-month period.

The purpose of the Plan is to provide directors, officers, key employees and certain other persons who provided services to the Company and its subsidiaries with an increased incentive to contribute to the future success and prosperity of the Company.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK *(Continued)*

(c) Issued and outstanding *(Continued)*

The following is a continuity of outstanding share options:

	Number of Options	Weighted Average Price per Share
Balance at February 28, 2021	910,000	$ 0.35
Cancelled during the period	(40,000)	0.35
Exercised during the year	(40,000)	0.35
Granted during the year	6,200,000	0.56
Balance at February 28, 2022	7,030,000	0.54
Balance at May 31, 2022	7,030,000	$ 0.54

(d) Share-based compensation

The following summarizes information about share options that are outstanding at May 31, 2022:

Number of Options	Price per Share	Expiry Date	Options Exercisable
730,000	$0.35	May 28, 2024	730,000
100,000	$0.35	July 24, 2024	100,000
1,000,000	$0.65	May 20, 2026	500,000
3,375,000	$0.60	September 2, 2026	843,750
1,825,000	$0.45	December 26, 2026	228,125
7,030,000			2,401,875

As of May 31, 2022, the weighted average contractual remaining life is 4.03 years.

During the three months ended May 31, 2022, no options were granted, and the Company recorded compensation expense of $422,6141. During the year ended February 28, 2022, the Company granted 6,200,000 stock options and the Company recorded compensation expense of $1,450,777 and are subject to deferred vesting over a two-year period.

The following assumptions were used for the Black-Scholes option pricing model calculations:

	Risk-free interest rate	Expected stock price volatility	Expected option life in years	Dividend rate
December 26, 2021	1.15%	131.32%	5 Years	Nil
September 2, 2021	0.72%	131.84%	5 Years	Nil
May 20, 2021	0.87%	138.28%	5 Years	Nil
July 24, 2019	1.33%	131.29%	5 Years	Nil
May 28, 2019	1.34%	123.23%	5 Years	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK *(Continued)*

(e) Share purchase warrants

The following is a continuity of outstanding share purchase warrants:

	Number of Warrants	**Weighted Average Price per Share**
Balance at February 28, 2021	4,904,212	$ 0.20
Exercised during the year	(1,255,332)	0.27
Granted during the year	23,718,265	0.45
Balance at February 28, 2022	27,367,145	0.41
Exercised during the period	(150,000)	0.20
Expired during the period	(3,870,880)	0.20
Balance at May 31, 2022	23,346,265	$ 0.45

The following summarizes information about the warrants that are outstanding at May 31, 2022.

Number of Warrants	Price per Share	Expiry Date
10,689,500	$0.40	June 9, 2022
11,500,000	$0.50	October 28, 2023
1,528,765	$0.35	October 28, 2023
23,346,265		

As of May 31, 2022, the weighted average contractual remaining life is 0.84 years.

(f) Performance-based share purchase warrants

In connection with the Transaction completed on June 9, 2021, the Company granted 4,000,000 performance warrants to directors and officers at an exercise price of $0.15 per warrant share with an expiration date of January 2, 2025.
The performance warrants are subject to vesting upon the achievement of certain milestones by certain dates, as set out below:

	On or before	Number of Performance Warrants	Exercise price of vested performance warrants	Number of performance warrants vested
1. LSP services, payment channels and watchtowers established	June 30, 2021	1,000,000	$0.15	1,000,000
2. Launch of Bitcoin staking on LN channels and payment routing tools	December 31, 2021	1,000,000	$0.15	1,000,000
3. Launch of LQwD money financial portal	December 31, 2022	1,000,000	$0.15	-
4. Application/integration of analytics, machine learning and data API	December 31, 2023	1,000,000	$0.15	-
		4,000,000		2,000,000

(Expressed in Canadian Dollars)

7. CAPITAL STOCK *(Continued)*

(g) Compensation options

In connection with the 100,000 compensation options issued, the Company recorded a share issue cost of $75,030 using the following Black-Scholes option pricing model variables:

	June 9, 2021
Risk-free interest rate	0.32%
Expected stock price volatility	126.01%
Expected option life in years	1 year
Dividend rate	Nil

The 100,000 compensation options have an expiry date of June 9, 2022.

8. DIGITAL CURRENCIES

Digital currencies consist of Bitcoin coins. Below is a continuity of digital currencies acquired through purchase during the year.

	May 31, 2022		February 28, 2022	
	Bitcoin	$	Bitcoin	$
Opening balance	150.90	8,295,599	6.62	387,083
Purchases/(sales)	(10.01)	(489,639)	144.28	8,889,516
Revaluation of digital currency	-	-	-	(92,083)
Loss on revaluation	-	2,146,971	-	888,917
Ending balance	**140.89**	**5,658,989**	**150.90**	**8,295,599**

The fair value of digital currencies at May 31, 2022 is $5,658,989. The decrease in value of $2,636,610 has been recognized in loss on revaluation of $2,146,971 and the sale of Bitcoins.

9. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	May 31, 2022	May 31, 2021
Consulting	$ -	$ 12,000
Salaries	78,440	-
Share-based compensation	263,131	53,271
	$ 341,571	$ 65,271

All transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. FINANCIAL INSTRUMENTS RISK

The Company's financial instruments are exposed to the following risks:

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations.

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of amounts receivable and cash and cash equivalents represents the maximum credit exposure.

Market Risk

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign Exchange Risk

The Company currently does not have significant exposure to other currencies, but this may change in the foreseeable future as the capital commitments that are expected to be carried out in United States dollars.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its purchases and capital commitments, and other financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's liquidity is dependent upon maintaining its current working capital balances, operating cash flows and ability to raise funds. To forecast and monitor liquidity, the Company prepares operating and capital expenditure budgets which are monitored and updated as considered necessary. Considering these circumstances and the Company's cash balance liquidity risk is assessed as low.

As at May 31, 2022, the contractual maturities of financial liabilities were as follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 2 Year	2 to 3 Year	3 to 4 Years	+ 4 Years
Trade payable and accrued liabilities	449,953	449,953	449,953	-	-	-	-
Lease obligations	118,376	129,176	52,394	54,002	22,780	-	-
Total	568,329	579,129	502,347	54,002	22,780	-	-

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS RISK *(Continued)*

Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. Most of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments, so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases.

Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy

according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value classification of the Company's financial instruments are as follows:

		May 31, 2022	February 28, 2022
	Fair Value Level	Fair value through profit or loss	Fair value through profit or loss
		$	$
Financial assets:			
Cash and cash equivalents	1	962,854	871,449
		962,854	871,449

The Company's cash and cash equivalents are classified as level 1. During the three month period ended May 31, 2022 and year ended February 28, 2022, there were no transfers between level 1, level 2 and level 3.

11. DIGITAL CURRENCY AND RISK MANAGEMENT

Digital currencies are measured based on their fair values, determined using the daily weighted close price for the digital currency on www.coinbase.com

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is affected by the current and future market price of digital currencies; in addition, the Company may not be able to liquidate its inventory of digital currencies at its desired price if required. A decline in the market prices for digital currencies could negatively impact the Company's future operations. The Company from time to time converts its digital currency but has not entered into any hedge transactions.

11. DIGITAL CURRENCY AND RISK MANAGEMENT *(Continued)*

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performances of digital currencies are not indicative of their future price performance. The Company's digital currencies consist primarily of Bitcoin. The impact of a 25% variance in the price of this digital currency on the Company's earnings before tax, based on their closing prices at May 31, 2022 would be approximately $1,414,747.

12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future development of the business and maintaining investor, creditor and market confidence.

The Company defines its capital as shareholders' equity and working capital. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. If adjustments to the capital structure are required, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements or restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated. The Company may require equity issues to cover administrative and operating cost.

13. SUBSEQUENT EVENTS

On June 9, 2022, 10,409,500 warrants issued on June 9, 2021, with an exercise price of $0.40 expired.

Subsequent to May 31, 2022, the Company sold 15 Bitcoin for proceeds of $414,170 (US $327,459).