

# **LQWD TECHNOLOGIES CORP.**

Condensed Consolidated Interim Financial Statements

First Quarter ended May 31, 2024

Unaudited

(Expressed in Canadian dollars except as otherwise stated)

**LQWD TECHNOLOGIES CORP.**

Condensed Consolidated Interim Statements of Financial Position  
(Expressed in Canadian Dollars except as otherwise stated)

	May 31, 2024	February 29, 2024
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 1,081,421	\$ 1,353,065
Digital currencies (Note 8)	10,628,509	9,612,743
Prepaid expenses	13,220	16,367
	11,723,150	10,982,175
Non-Current:		
Intangible assets (Note 5)	535,641	606,827
Property and equipment (Note 6)	4,068	503
Restricted cash	61,900	61,330
	\$ 12,324,759	\$ 11,650,835
<b>Liabilities and Equity</b>		
Current:		
Accounts payable and accrued liabilities	\$ 231,235	\$ 248,016
	231,235	248,016
<b>Shareholders' equity</b>		
Capital stock (Note 7(b))	57,683,004	57,683,004
Contributed surplus (Note 7(g))	8,914,914	8,842,882
Accumulated other comprehensive income	3,767,862	2,747,746
Deficit	(58,272,256)	(57,870,813)
	12,093,524	11,402,819
	\$ 12,324,759	\$ 11,650,835

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 July 26, 2024.

*"Giuseppe (Pino) Perone"*  
.....Director  
Giuseppe (Pino) Perone

*"Ashley Garnot"*  
.....Director  
Ashley Garnot

**LQWD TECHNOLOGIES CORP.**Condensed Consolidated Interim Statements of Comprehensive Loss  
(Expressed in Canadian Dollars except as otherwise stated)

<b>For the three months ended May 31,</b>	<b>2024</b>	<b>2023</b>
<b>Revenue</b>	\$ 360	\$ -
<b>Expenses</b>		
Amortization of intangible assets	71,186	257,600
Amortization of property and equipment	690	500
Audit and accounting	11,500	12,000
Bank charges	529	520
Consulting fees	28,245	7,968
Legal	1,106	685
Marketing	51,394	57,118
Office and administration	16,359	6,539
Office rent	3,150	3,000
Research and development	62,030	61,850
Salaries and benefits	50,139	50,120
Stock-based compensation	72,032	82,676
Shareholder relations	8,221	4,830
Transfer and filing fees	16,838	6,519
Travel and entertainment	10,828	12,906
	(404,247)	(564,831)
<b>Other items</b>		
Foreign exchange	1,656	(1,903)
Interest and accretion income	788	757
Gain on revaluation of digital currencies (Note 8)	-	472,056
	2,444	470,910
<b>Net loss for the period</b>	(401,443)	(93,921)
<b>Other comprehensive income</b>		
Change in revaluation reserve (Note 8)	1,020,116	-
<b>Comprehensive income (loss) for the period</b>	\$ 618,673	\$ (93,921)
<b>Net loss per share, basic and diluted</b>	\$ (0.03)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	13,228,026	9,955,759

See accompanying notes.

**LQWD TECHNOLOGIES CORP.**Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian Dollars except as otherwise stated)

<b>For the three months ended May 31,</b>	<b>2024</b>	<b>2023</b>
<b>Operating activities</b>		
Net loss for the period	\$ (401,443)	\$ (93,921)
Items not involving cash:		
Amortization of intangible assets	71,186	257,600
Amortization of property and equipment	690	500
Interest and accretion	(570)	(570)
Gain on revaluation of digital currencies	-	(472,056)
Stock-based compensation	72,032	82,676
	(258,105)	(225,771)
Changes non-cash working capital:		
Amounts receivable	-	(6,465)
Prepaid expenses	3,147	3,738
Accounts payable and accrued liabilities	(12,431)	(66,667)
	(9,284)	(69,394)
<b>Cash used in operating activities</b>	<b>(267,389)</b>	<b>(295,165)</b>
<b>Financing activity</b>		
Proceeds from share issuance	-	300,000
<b>Cash provided by financing activity</b>	<b>-</b>	<b>300,000</b>
<b>Investing activity</b>		
Purchase of equipment	(4,255)	-
<b>Cash used in investing activity</b>	<b>(4,255)</b>	<b>-</b>
<b>Net (outflow) inflow of cash and cash equivalents</b>	<b>(271,644)</b>	<b>4,835</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,353,065</b>	<b>548,806</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,081,421</b>	<b>\$ 553,641</b>
<b>Supplementary disclosures:</b>		
Interest received	\$ 218	\$ 187
Cash	\$ 1,039,837	\$ 535,802
Short-term deposits	18,708	17,839
	\$ 1,058,545	\$ 553,641
Addition to restricted cash	\$ -	\$ 598,000

See accompanying notes.

## LQWD TECHNOLOGIES CORP.

Condensed Consolidated Interim Statements of Changes in Equity  
(Expressed in Canadian Dollars except as otherwise stated)

	Common Shares			Contributed Surplus	Deficit	Other Comprehensive Income (Note 8)	Total
	Number	Amount	Shares Subscribed				
<b>Balance, March 1, 2024</b>	13,228,026	\$ 57,683,004	\$ -	\$ 8,842,882	\$ (57,870,813)	\$ 2,747,746	\$ 11,402,819
Revaluation of digital currency	-	-	-	-	-	1,020,116	1,020,116
Stock-based payments	-	-	-	72,032	-	-	72,032
Net loss for period	-	-	-	-	(401,443)	-	(401,443)
<b>Balance, May 31, 2024</b>	13,228,026	\$ 57,683,004	\$ -	\$ 8,914,914	\$ (58,272,256)	\$ 3,767,862	\$ 12,093,524
<b>Balance, March 1, 2023</b>	9,777,430	\$ 55,853,279	\$ -	\$ 8,708,237	\$ (55,849,099)	\$ -	\$ 8,712,417
Stock-based payments	-	-	-	82,676	-	-	82,676
Shares subscribed	-	-	598,000	-	-	-	598,000
Net loss for period	-	-	-	-	(93,921)	-	(93,921)
Private placement	468,750	300,000	-	-	-	-	300,000
<b>Balance, May 31, 2023</b>	10,246,180	\$ 56,153,279	\$ 598,000	\$ 8,790,913	\$ (55,943,020)	\$ -	\$ 9,599,172

See accompanying notes.

# LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Month Period Ended May 31, 2024

(Expressed in Canadian Dollars except as otherwise stated)

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

LQWD Technologies 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”. The Company is located at 1710 – 1050 W. Pender Street, Vancouver, BC, V6E 3S7.

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, 2024, the Company had working capital of \$11,491,915 (February 29, 2024: \$10,734,159). On May 31, 2024, the Company also had an accumulated deficit of \$58,272,256 (February 29, 2024: \$57,870,813).

## 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 with the exception of Coronado Resources USA LLC, whose functional currency is US dollar.

## LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Three Month Period Ended May 31, 2024  
(Expressed in Canadian Dollars except as otherwise stated)

### 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. MATERIAL ACCOUNTING POLICIES

#### (a) Critical 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.

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

- 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.

## LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Month Period Ended May 31, 2024

(Expressed in Canadian Dollars except as otherwise stated)

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### 3. MATERIAL ACCOUNTING POLICIES *(Continued)*

#### (a) Critical accounting judgments, estimates and assumptions *(Continued)*

- 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 coinmarketcap.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 stock-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



## **LQWD TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Month Period Ended May 31, 2024

(Expressed in Canadian Dollars except as otherwise stated)

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### **3. MATERIAL ACCOUNTING POLICIES** *(Continued)*

#### **(a) Critical 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 Lightning Network and the Lightning 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 Lightning Platform and the Lightning Network were assessed as having a useful life of five and seven years respectively based on management's estimate.

#### **(c) Digital currencies**

Digital currencies (Note 8) 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.

## LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Month Period Ended May 31, 2024

(Expressed in Canadian Dollars except as otherwise stated)

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### 3. MATERIAL 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:

## LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Month Period Ended May 31, 2024

(Expressed in Canadian Dollars except as otherwise stated)

### 3. MATERIAL 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.

<b>Asset / Liability</b>	<b>Classification / Measurement</b>
Cash and cash equivalent	Amortized cost
Restricted cash	Amortized cost
Accounts payables and accrued liabilities	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, 2024 and, accordingly, have not been applied in preparing these consolidated financial statements.

#### *Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates*

The amendments to IAS 21 clarify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendment requires the disclosure of additional information when a currency is not considered exchangeable. The amendments are applied prospectively for annual periods beginning on or after January 1, 2025. Early adoption is permitted. No significant impact to the Company's financial statements is expected.

## LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Month Period Ended May 31, 2024

(Expressed in Canadian Dollars except as otherwise stated)

### 4. CHANGES IN ACCOUNTING STANDARDS (Continued)

#### *Amendment to CSDS1 General Requirements for Disclosure of Sustainability-related Financial Information*

CSDS1 includes requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The amendments are applied prospectively for annual periods beginning on or after January 1, 2025. The Company is analysing the potential impact to the financial statements.

#### *Amendment to CSDS2 Climate-related Disclosures*

CSDS2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The amendments are applied prospectively for annual periods beginning on or after January 1, 2025. The Company is analysing the potential impact to the financial statements.  
*Amendment to IFRS 18 Presentation and Disclosures in Financial Statements*

IFRS 18 sets out the requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. The amendments are applied prospectively for annual periods beginning on or after January 1, 2027. The Company is analysing the potential impact to the financial statements.

### 5. INTANGIBLE ASSETS

	<b>Lightning Network</b>	<b>Lightning Platform</b>	<b>Coincurve</b>	<b>Total</b>
<b>Cost</b>				
At February 28, 2023	\$ 5,696,000	\$ 220,000	\$ 804,601	\$ 6,755,601
Additions	-	-	-	-
At February 29, 2024	5,696,000	220,000	804,601	6,755,601
Additions	-	-	-	-
At May 31, 2024	\$ 5,696,000	\$ 220,000	\$ 804,601	\$ 6,755,601
<b>Accumulated depreciation</b>				
At February 28, 2023	\$ (1,424,000)	\$ (77,000)	\$ (601,726)	\$ (2,137,726)
Depreciation	(813,714)	(44,000)	(166,048)	(1,023,762)
Impairment	(2,904,150)	(83,136)	-	(2,987,286)
At February 29, 2024	(5,141,864)	(204,136)	(767,774)	(6,148,774)
Depreciation	(32,596)	(1,763)	(36,827)	(71,186)
At May 31, 2024	\$ (5,174,460)	\$ (205,899)	\$ (804,601)	\$ (6,219,960)
<b>Net book value</b>				
February 29, 2024	\$ 554,136	\$ 15,864	\$ 36,827	\$ 606,827
<b>May 31, 2024</b>	<b>\$ 521,540</b>	<b>\$ 14,101</b>	<b>\$ -</b>	<b>\$ 535,641</b>

## LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Three Month Period Ended May 31, 2024  
(Expressed in Canadian Dollars except as otherwise stated)

### 6. PROPERTY AND EQUIPMENT

	Computer Equipment	Total
<b>Cost</b>		
At February 28, 2023	\$ 7,160	\$ 7,160
Additions	-	-
At February 29, 2024	7,160	7,160
Additions	4,255	4,255
At May 31, 2024	\$ 11,415	\$ 11,415
<b>Accumulated amortization</b>		
At February 28, 2023	\$ (4,600)	\$ (4,600)
Amortization	(1,997)	(1,997)
At February 29, 2024	(6,657)	(6,657)
Amortization	(690)	(690)
At May 31, 2024	\$ (7,347)	\$ (7,347)
<b>Net book value</b>		
February 29, 2024	\$ 503	\$ 503
<b>May 31, 2024</b>	<b>\$ 4,068</b>	<b>\$ 4,068</b>

### 7. CAPITAL STOCK

#### (a) Authorized

Unlimited number of common shares without par value.

#### (b) Issued and outstanding

*During the period ended May 31, 2024:*

No common shares were issued and no stock options or warrants were exercised.

*During the year ended February 29, 2024:*

On January 22, 2024, the Company closed a non-brokered private placement of 1,625,000 units of the Company at a price of \$0.40 per unit for aggregate gross proceeds of \$650,000. Each unit consists of one common share of the Company and one warrant exercisable into one common share at a price of \$0.60 per share at any time up to 24 months following the closing date of the private placement. The Company used the residual value method for the pricing of shares and warrants; the warrants were assigned no value.

On June 8, 2023, LQWD closed a non-brokered private placement financing of \$882,000, upsized from \$750,000. Under the private placement, LQWD issued 1,356,846 units of the Company at a price of \$0.65 per unit. Each unit is comprised of one common share of the Company and one common share purchase warrant, with each warrant being exercisable for one common share at a price of \$0.85 per common share at any time up to 24 months following the closing date of the private placement with each warrant being subject to acceleration in certain circumstances. The Company used the residual value method for the pricing of shares and warrants; the warrants were assigned no value.

On April 26, 2023, the Company announced it closed a non-brokered private placement financing of \$300,000. Under the private placement, LQWD issued 468,750 units of the Company at a price of \$0.64 per unit. Each unit is comprised of 1 common share of the Company and 1 common share purchase warrant, with each warrant being exercisable for 1 common share at an exercise price of \$0.85 per

## LQWD TECHNOLOGIES CORP.

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### 7. CAPITAL STOCK (Continued)

#### (b) Issued and outstanding (Continued)

common share at any time up to 36 months following the closing date of the private placement. The Company used the residual value method for the pricing; the warrants were assigned no value.

#### (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. The following is a continuity of outstanding share options:

	Number of Options	Weighted Average Price per Share
Balance at February 28, 2023	597,000	\$ 5.47
Granted during the year	100,000	0.60
Balance at February 29, 2024	697,000	4.77
Expired during the period	(52,000)	3.50
Granted during the period	200,000	0.97
Balance at May 31, 2024	845,000	\$ 3.95

#### (d) Stock-based compensation

The following summarizes information about share options that are outstanding at May 31, 2024:

Number of Options	Price per Share	Expiry Date	Options Exercisable
100,000	\$6.50	May 20, 2026	100,000
287,500	\$6.00	September 2, 2026	287,500
157,500	\$4.50	December 26, 2026	157,500
100,000	\$0.60	February 1, 2029	25,000
25,000	\$0.97	March 11, 2029	-
175,000	\$0.97	March 13, 2029	-
845,000			570,000

As of May 31, 2024, the weighted average contractual remaining life is 3.17 years.

During the three months ended May 31, 2024, 200,000 stock options were granted, subject to deferred vesting, with a quarter of the options vesting three months from the grant date, a quarter of the options vesting six months from the vest date and half of the options vesting one year from the grant date. The Company recorded compensation expense of \$72,032. During the year ended February 29, 2024, 100,000 stock options were granted, subject to deferred vesting, with a quarter of the options vesting three months from the grant date, a quarter of the options vesting six months from the vest date and half of the options vesting one year from the grant date. The Company recorded compensation expense of \$134,645.

## LQWD TECHNOLOGIES CORP.

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### 7. CAPITAL STOCK (Continued)

#### (d) Stock-based compensation (Continued)

The following summarizes information about share options that are outstanding at February 29, 2024:

Number of Options	Price per Share	Expiry Date	Options Exercisable
52,000	\$3.50	May 28, 2024	52,000
100,000	\$6.50	May 20, 2026	100,000
287,500	\$6.00	September 2, 2026	287,500
157,500	\$4.50	December 26, 2026	157,500
100,000	\$0.60	February 1, 2029	-
697,000			597,000

As of February 29, 2024, the weighted average contractual remaining life is 2.72 years.

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
March 13, 2024	3.50%	133.47%	5 Years	Nil
March 11, 2024	3.42%	133.32%	5 Years	Nil
February 1, 2024	3.34%	130.35%	5 Years	Nil
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
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.

#### (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, 2023	1,293,677	\$ 4.80
Expired during the year	(1,293,677)	4.80
Granted during the year	3,450,596	0.73
Balance at February 29, 2024	3,450,596	0.73
Balance at May 31, 2024	3,450,596	\$ 0.73

The following summarizes information about the warrants that are outstanding at May 31, 2024.

Number of Warrants	Price per Share	Expiry Date
468,750	\$0.85	April 26, 2026
1,356,846	\$0.85	June 8, 2025
1,625,000	\$0.60	January 22, 2026
3,450,596		

As of May 31, 2024, the weighted average contractual remaining life is 1.44 years.

## LQWD TECHNOLOGIES CORP.

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### 7. CAPITAL STOCK (Continued)

#### (e) Share purchase warrants (Continued)

The following summarizes information about the warrants that are outstanding at February 29, 2024.

Number of Warrants	Price per Share	Expiry Date
468,750	\$0.85	April 26, 2026
1,356,846	\$0.85	June 8, 2025
1,625,000	\$0.60	January 22, 2026
3,450,596		

As of February 29, 2024, the weighted average contractual remaining life is 1.69 years.

#### (f) Performance-based share purchase warrants

In connection with the Transaction completed on June 9, 2021, the Company granted 400,000 performance warrants to directors and officers at an exercise price of \$1.50 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	100,000	\$1.50	100,000
2. Launch of Bitcoin staking on LN channels and payment routing tools	December 31, 2021	100,000	\$1.50	100,000
3. Launch of LQWD money financial portal	December 31, 2022	100,000	\$1.50	Cancelled
4. Application/integration of analytics, machine learning and data API	December 31, 2023	100,000	\$1.50	Cancelled
		400,000		200,000

#### (g) Contributed surplus

The following summarizes information about contributed surplus as at May 31, 2024.

	Options	Warrants	Performance based share purchase warrants	Total
Contributed surplus	\$ 4,528,479	\$ 847,290	\$ 3,539,145	\$ 8,914,914



## LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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### 8. DIGITAL CURRENCIES

Digital currencies consist of Bitcoin coins. Below is a continuity of digital currencies acquired through purchase during the year. The fair value of digital currencies at May 31, 2024 is \$10,628,509 (February 29, 2024 - \$9,612,743) The original cost of the 115.50 Bitcoin was \$7,026,317 (February 29, 2024 - \$7,030,666).

	May 31, 2024		February 29, 2024	
	Bitcoin	\$	Bitcoin	\$
Opening balance	115.50	9,612,743	112.76	3,638,698
Revenue	0.01	360	0.01	506
Fees	(0.07)	(4,710)	(0.27)	(12,184)
Sales	-	-	-	-
Revaluation of digital currency <sup>(1)</sup>	-	1,020,116	-	2,514,996
Recognition of digital currency <sup>(1)</sup>	-	-	3.00	232,750
Gain on revaluation	-	-	-	3,160,795
Gain on sale	-	-	-	77,182
<b>Ending balance</b>	<b>115.44</b>	<b>10,628,509</b>	<b>115.50</b>	<b>9,612,743</b>

1) The revaluation of digital currency and the recognition of digital currency are included in other comprehensive income.

### 9. RELATED PARTY TRANSACTIONS

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

	May 31, 2024	May 31, 2023
Research and development	30,000	30,000
Salaries	36,000	36,000
Stock-based compensation	27,065	68,131
	<b>\$ 93,065</b>	<b>\$ 134,131</b>

*The May 31, 2023 Financial Statements originally presented related party research and development and salaries as a combined number.*

At May 31, 2024, \$45 (2023 - \$48,455) is owing to key management personnel and is included in accounts payable and accrued liabilities.

During the period ended May 31, 2024, the Company was charged \$3,150 (2023 - \$3,000) by TAG Oil Ltd. a Canadian related company with similar key management personnel for office rent. At May 31, 2024, \$nil (2023 - \$nil) is owing to the Canadian related company with similar key management personnel and is included in accounts payable and accrued liabilities.

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.

## LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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### 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 and bank deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of amounts receivable, cash and cash equivalents and restricted cash 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, other than digital currencies which are US dollar denominated. The potential impact of foreign exchange risk relating to digital currencies is assessed as high.

#### *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, 2024, 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	\$231,235	\$231,235	\$231,235	-	-	-	-
Total	\$231,235	\$231,235	\$231,235	-	-	-	-

## LQWD TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 10. FINANCIAL INSTRUMENTS RISK (Continued)

As at February 29, 2024, 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
Accounts payable and accrued liabilities	\$248,016	\$248,016	\$248,016	-	-	-	-
Total	\$248,016	\$248,016	\$248,016	-	-	-	-

#### 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. Interest rate risk is assessed as low.

#### Fair Value of Financial Instruments and Digital Assets

The carrying value of the Company's financial assets and liabilities carried at amortized cost approximates their fair value due to the short-term life of these instruments. 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 Company's assets and liabilities carried at fair value are as follows:

	Fair Value Level	May 31, 2023	February 29, 2024
<i>Digital assets:</i>		\$	\$
Digital currencies	2	10,628,509	9,612,743

The Company's digital currencies are classified as level 2. During the three month period ended May 31, 2024, and year ended February 29, 2024, 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 coinmarketcap.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.

## **LQWD TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Month Period Ended May 31, 2024

(Expressed in Canadian Dollars except as otherwise stated)

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### **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, 2024 would be approximately \$2,657,127 (2023 -\$1,027,689).

### **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 the 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 costs.

### **13. SUBSEQUENT EVENTS**

On June 6, 2024, the Company cancelled 208,000 common shares held by a service provider. These common shares were cancelled pursuant to a settlement agreement dated November 29, 2023, between the parties. More specifically, on March 3, 2022, LQWD terminated the service agreement with the service provider, and requested the return of the funds paid for services not provided. The parties later agreed, in accordance with the settlement agreement, that in lieu of returning the funds the service provider would cancel their LQWD shares of a similar value.