

**LQWD FINTECH CORP.**  
**(formerly INTERLAPSE TECHNOLOGIES CORP.)**

Consolidated Financial Statements

February 28, 2021  
and  
February 29, 2020

Audited

(Expressed in Canadian dollars)

## Independent Auditor's Report

To the Shareholders of LQwD FinTech Corp. (formerly Interlapse Technologies Corp.)

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of LQwD FinTech Corp. (formerly Interlapse Technologies Corp.) (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2021 and February 29, 2020 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at February 28, 2021 and February 29, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS).

#### Basis for Opinion

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

#### Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is G. Cameron Dong.



### CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada  
June 28, 2020

**LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)**

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	February 28, 2021	February 29, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,836,827	\$ 985,162
Amounts receivable	62,313	72,346
Digital currencies (Note 6)	387,083	-
Prepaid expenses	53,571	23,715
	2,339,794	1,081,223
Intangible assets (Note 3)	561,024	608,264
Property and equipment (Note 4)	2,583	3,690
Restricted cash	39,684	39,688
	\$ 2,943,085	\$ 1,732,865
<b>Liabilities and Equity</b>		
Current:		
Accounts payable and accrued liabilities	\$ 92,553	\$ 76,560
	92,553	76,560
<b>Shareholders' equity</b>		
Capital stock (Note 5(b))	23,005,991	22,224,731
Contributed surplus (Note 5(d))	1,900,648	1,828,577
Shares subscribed (Note 5(f))	1,062,010	-
Revaluation reserve	92,083	-
Deficit	(23,210,200)	(22,397,003)
	2,850,532	1,656,305
	\$ 2,943,085	\$ 1,732,865

Nature of operations and going concern (Note 1)

Subsequent events (Note 5(e), 12)

See accompanying notes.

These financial statements are authorized for issue by the Board of Directors on June 28, 2021.

*"Giuseppe (Pino) Perone"*

.....Director

Giuseppe (Pino) Perone

*"Ashley Garnot"*

.....Director

Ashley Garnot

**LWQD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)**

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

<b>For the years ended</b>	<b>February 28, 2021</b>	<b>February 29, 2020</b>
<b>Revenue</b>	\$ 126,119	\$ 52,631
<b>General and administrative expenses</b>		
Amortization of intangible assets	178,556	100,021
Amortization of property and equipment	1,107	1,332
Audit and accounting	26,722	39,681
Bank charges	4,283	11,911
Business development	1,111	123,241
Consulting and milestone fees	224,000	240,600
Director fees	3,000	1,250
Insurance	-	4,971
Legal	85,119	152,112
Management fees	25,136	63,300
Marketing	50,132	121,080
Office and administration	3,420	3,801
Office rent	7,137	50,569
Platform administration	69,430	68,014
Research and development	39,378	18,888
Salaries and benefits	88,280	93,143
Share-based compensation	72,071	171,468
Shareholder relations	10,126	18,025
Transfer and filing fees	47,663	119,614
Travel and entertainment	1,911	15,745
	(938,582)	(1,418,766)
<b>Other items</b>		
Foreign exchange	(2,508)	467
Interest and accretion income	1,774	9,955
	(734)	10,422
<b>Net loss for the year</b>	(813,197)	(1,355,713)
<b>Other comprehensive income</b>		
Change in revaluation reserve (Note 6)	92,083	-
<b>Comprehensive loss for the year</b>	\$ (721,114)	\$ (1,355,713)
<b>Loss per share, basic and diluted</b>	\$ (0.03)	\$ (0.08)
<b>Weighted average number of common shares outstanding</b>	27,289,836	17,851,983

See accompanying notes.

**LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)**

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

<b>For the years ended</b>	<b>February 28, 2021</b>	<b>February 29, 2020</b>
<b>Operating activities</b>		
Net loss for the year	\$ (813,197)	\$ (1,355,713)
Items not involving cash:		
Amortization of intangible assets	178,556	100,021
Amortization of property and equipment	1,107	1,332
Accrued interest on loans receivable	-	(13,913)
Milestone shares	49,000	110,500
Interest and accretion	4	(25)
Share-based compensation	72,071	171,468
	(512,459)	(986,330)
Changes non-cash working capital:		
Amounts receivable	10,033	8,940
Prepaid expenses	(29,856)	11,707
Accounts payable and accrued liabilities	15,993	(12,216)
	(3,830)	8,431
<b>Cash used in operating activities</b>	<b>(516,289)</b>	<b>(977,899)</b>
<b>Financing activities</b>		
Cash received by private placement	735,632	1,855,000
Share issued costs	(38,372)	(18,570)
Share subscribed	1,062,010	-
<b>Cash provided by financing activities</b>	<b>1,759,270</b>	<b>1,836,430</b>
<b>Investing activities</b>		
Acquisition of intangible assets	-	(528,419)
Additions to intangible assets	(96,316)	(140,944)
Cash acquired on acquisition of Skyrun	-	56,387
Purchase of marketable securities	(295,000)	-
Purchase of property and equipment	-	(1,753)
<b>Cash used in investing activities</b>	<b>(391,316)</b>	<b>(614,729)</b>
<b>Net inflow of cash and cash equivalents</b>	<b>851,665</b>	<b>243,802</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>985,162</b>	<b>741,360</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,836,827</b>	<b>\$ 985,162</b>
<b>Supplementary disclosures:</b>		
Interest received	\$ 1,778	\$ 9,823
Cash	\$ 1,570,618	\$ 720,556
Short-term deposits	266,209	264,606
	\$ 1,836,827	\$ 985,162

**Non-Cash Investing Activities:**

The Company incurred \$3,024 in intangible expenditures which were in accounts payable at February 28, 2021 (February 29, 2020: \$3,835).

See accompanying notes.

## LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Consolidated Statements of Changes in Equity  
(Expressed in Canadian Dollars)

	Common Shares		Shares Subscribed	Revaluation Reserve (Note 6)	Contributed Surplus	Deficit	Total
	Number (1)	Amount					
<b>Balance, February 28, 2019</b>	12,925,644	\$ 20,277,801	\$ -	\$ -	\$ 1,657,109	\$ (21,041,290)	\$ 893,620
Share-based payments	-	-	-	-	171,468	-	171,468
Milestone shares	400,000	110,500	-	-	-	-	110,500
Private placement – net of share issue costs	11,920,00	1,836,430	-	-	-	-	1,836,430
Net loss for year	-	-	-	-	-	(1,355,713)	(1,355,713)
<b>Balance, February 29, 2020</b>	25,245,644	22,224,731	-	-	1,828,577	(22,397,003)	1,656,305
Share-based payments	-	-	-	-	72,071	-	72,071
Acquisition of intangible asset	233,333	35,000	-	-	-	-	35,000
Milestone shares	300,000	49,000	-	-	-	-	49,000
Private placement – net of share issue costs	4,904,212	697,260	-	-	-	-	697,260
Shares subscribed	-	-	1,062,010	-	-	-	1,062,010
Revaluation of digital currency	-	-	-	92,083	-	-	92,083
Net loss for year	-	-	-	-	-	(813,197)	(813,197)
<b>Balance, February 28, 2021</b>	30,683,189	\$ 23,005,991	\$ 1,062,010	\$ 92,083	\$ 1,900,648	\$ (23,210,200)	\$ 2,850,532

(1) On August 23, 2019, the Company's outstanding share capital was forward split on the basis of two (2) new common shares for each one (1) old common share.

See accompanying notes.

# **LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)**

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

LQwD FinTech Corp. (formerly Interlapse 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”.

On November 23, 2020, the Company entered into a share exchange agreement (the “Agreement”) with LQwD Financial Corp. (“LQwD Financial”) to acquire 100% of the issued and outstanding shares of LQwD Financial (the “Transaction”). Under the Agreement, each outstanding LQwD Financial share will be exchanged for one LQwD share, resulting in an aggregate issuance of 22,400,001 LQwD shares at a deemed price of \$0.25 per share. Upon completion of the Transaction, LQwD Financial will become a wholly owned subsidiary of LQwD. On June 9, 2021, the Company completed the Transaction with LQwD Financial.

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 consolidated 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 February 28, 2021, the Company had working capital of \$2,247,241 (February 29, 2020: \$1,004,663). On February 28, 2021, the Company also had an accumulated deficit of \$23,210,200 (February 29, 2020: \$22,397,003).

Also refer to note 12.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of presentation**

These consolidated financial statements have been prepared in accordance with and comply with IFRS as issued by the International Accounting Standards Board and its interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These consolidated 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 consolidation**

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



## LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Basis of consolidation (Continued)

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
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

#### (c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, deposits in banks and highly liquid investments having terms to maturity of 90 days or less when acquired.

#### (d) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

#### (e) Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated 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:

- 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 FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)**

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(f) Intangible assets**

Intangible assets consist of the Company's virtual currency software platform, [coincurve.com](http://coincurve.com) and [buybitcoincanada.com](http://buybitcoincanada.com).

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](http://coincurve.com) and [buybitcoincanada.com](http://buybitcoincanada.com) were assessed as having a useful life of five and two years respectively based on management's estimate.

#### **(g) 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.

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 to be a commodity that may be readily sold because liquid markets are available.

## **LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)**

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(h) 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.

#### **(i) Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

#### **(j) Share-based compensation**

The Company's stock option plan allows employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. The fair value of the share-based payment is measured using the Black-Scholes option pricing model. The fair value of the share-based payment is recognized as an expense or capitalized to share capital with a corresponding increase in contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related reserves amount is transferred to share capital.

#### **(k) Impairment**

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is established to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at years end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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

#### (m) 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 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) fair value through profit or loss ("FVTPL"), and
- c) fair value through other comprehensive income ("FVTOCT").

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

- 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.

## **LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)**

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

#### **(m) Financial instruments** *(Continued)*

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.

#### *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.

#### **(n) Leases**

The Company recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise prices under a purchase price option that the Company is reasonably certain to exercise,
- payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

## LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (n) Leases (Continued)

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 3. INTANGIBLE ASSETS

	BuyBitcoinCanada	Coincurve	Total
<b>Cost</b>			
At February 28, 2019	\$ -	\$ -	\$ -
Asset acquisition (Note 9)	-	563,506	563,506
Additions during the year	-	144,779	144,779
At February 29, 2020	-	708,285	708,285
Asset acquisition (Note 5(b))	35,000	-	35,000
Additions during the year	-	96,316	96,316
At February 28, 2021	\$ 35,000	\$ 804,601	\$ 839,601
<b>Accumulated depreciation</b>			
At February 28, 2019	\$ -	\$ -	\$ -
Depreciation	-	(100,021)	(100,021)
At February 29, 2020	-	(100,021)	(100,021)
Depreciation	(16,042)	(162,514)	(178,556)
At February 28, 2021	\$ (16,042)	\$ (262,535)	\$ (278,577)
<b>Net book value</b>			
February 29, 2020	\$ -	\$ 608,264	\$ 608,264
<b>February 28, 2021</b>	<b>\$ 18,958</b>	<b>\$ 542,066</b>	<b>\$ 561,024</b>

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### 4. PROPERTY AND EQUIPMENT

	Computer Equipment	Total
<b>Cost</b>		
At February 28, 2019	-	-
Asset acquisition (Note 9)	3,269	3,269
Addition	1,753	1,753
At February 29, 2020	\$ 5,022	\$ 5,022
Addition	-	-
At February 28, 2021	\$ 5,022	\$ 5,022
<b>Accumulated depreciation</b>		
At February 28, 2019	-	-
Depreciation	(1,332)	(1,332)
At February 29, 2020	\$ (1,332)	\$ (1,332)
Depreciation	(1,107)	(1,107)
At February 28, 2021	\$ (2,439)	\$ (2,439)
<b>Net book value</b>		
February 29, 2020	\$ 3,690	\$ 3,690
<b>February 28, 2021</b>	<b>\$ 2,583</b>	<b>\$ 2,583</b>

### 5. CAPITAL STOCK

#### (a) Authorized

Unlimited number of common shares without par value.

#### (b) Issued and outstanding

*During the year ended February 28, 2021:*

On March 31, 2020, the Company acquired [buybitcoincanada.com](http://buybitcoincanada.com), a virtual currency brokerage platform from Canadian blockchain company, Bitaccess Inc., in exchange for 233,333 shares of the Company (at a value of \$35,000).

On April 22, 2020, the Company issued 200,000 shares to two officers of the Company at a price of \$0.16 per share in accordance with the terms of the agreement to purchase Skyrun Technology Corp. ("Skyrun") (Note 9).

On June 2, 2020, the Company issued 100,000 common shares to two officers of the Company at a price of \$0.17 per share in accordance with the terms of the agreement to purchase Skyrun (Note 9).

On November 2, 2020, the Company completed a non-brokered private placement of 4,902,212 units at \$0.15 per share for gross proceeds of \$735,632. Each unit comprises one common share of the Company and one share purchase warrant. Each warrant entitles the holder to subscribe for one additional share at a price of \$0.20 per share for a period of 18 months from the date of issuance.

*During the year ended February 29, 2020:*

On May 28, 2019, the Company completed a non-brokered private placement of 4,420,000 common shares at \$0.25 per share for gross proceeds of \$1,105,000.

On June 19, 2019, the Company issued 120,000 shares to two officers of the Company at a price of \$0.425 per share in accordance with the terms of the agreement to purchase Skyrun.

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### **5. CAPITAL STOCK** *(Continued)*

#### **(b) Incentive share options** *(Continued)*

On August 29, 2019, the Company's outstanding share capital was forward split on the basis of two (2) new common shares for each one (1) old common share.

On September 10, 2019, the Company issued 60,000 shares to two officers of the Company at a price of \$0.46 per share in accordance with the terms of the agreement to purchase Skyrun.

On December 20, 2019, the Company completed a non-brokered private placement of 7,500,000 common shares at \$0.10 per share for gross proceeds of \$750,000.

On February 5, 2020, the Company issued 220,000 shares to two officers of the Company at a price of \$0.145 per share in accordance with the terms of the agreement to purchase Skyrun.

#### **(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.

On May 28, 2019, the Company granted 810,000 incentive stock options to various directors, executive officers, employees and consultants. These options are exercisable until May 28, 2024, at a price of \$0.35 per share subject to one-quarter of the total options vesting six months from the grant date, one-quarter of the total options vesting one year from the date of the grant, one-quarter of the total options vesting one and a half years from the grant date and one-quarter of the total options vesting two years from the date of the grant.

On May 28, 2019, the Company granted 600,000 incentive stock options to various directors, executive officers, employees and consultants. These options were exercisable until May 28, 2024, at a price of \$0.35 per share. On April 22, 2020, these options were cancelled.

On July 24, 2019, the Company granted 100,000 incentive stock options to a consultant. These options are exercisable until July 24, 2024, at a price of \$0.35 per share subject to one-quarter of the total options vesting six months from the grant date, one-quarter of the total options vesting one year from the date of the grant, one-quarter of the total options vesting one and a half years from the grant date and one-quarter of the total options vesting two years from the date of the grant.



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**5. CAPITAL STOCK (Continued)****(c) Incentive share options (Continued)**

The following is a continuity of outstanding share options:

	Number of Options	Weight Average Price per Share
Balance at February 28, 2019	-	\$ -
Granted during the year	1,510,000	0.35
Balance at February 29, 2020	1,510,000	\$ 0.35
Cancelled during the year	(600,000)	0.35
Balance at February 28, 2021	910,000	\$ 0.35

The following summarizes information about share options that are outstanding at February 28, 2021:

Number of Options	Price per Share	Expiry Date	Options Exercisable
810,000	\$0.35	May 28, 2024	607,500
100,000	\$0.35	July 24, 2024	75,000
910,000			682,500

As of February 28, 2021, the weighted average contractual remaining life is 3.25 years.

**(d) Share-based compensation**

During the year ended February 28, 2021 no stock options were granted and the Company recorded compensation expense of \$72,071. During the year ended February 29, 2020 the Company granted 1,510,000 share options, 600,000 of which were cancelled.

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

	May 28, 2019	July 24, 2019
Risk-free interest rate	1.34%	1.33%
Expected stock price volatility	123.23%	131.29%
Expected option life in years	5 years	5 years
Dividend rate	Nil	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	Price per Share	Expiry Date
4,904,212 *	\$0.20	May 2, 2022

As of February 28, 2021, the weighted average contractual remaining life is 1.17 years.

\* Subsequent to the year-end, 583,332 warrants were exercised.

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### 5. CAPITAL STOCK (Continued)

#### (f) Shares subscribed

As at February 28, 2021, there were 4,248,040 shares subscribed at a price of \$0.25 per share for a total of \$1,062,010. These subscribed shares are a part of the Company's non-brokered private placement which closed March 23, 2021. See Note 12.

### 6. DIGITAL CURRENCIES

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

	February 28, 2021	
	Bitcoin	\$
Opening balance	-	-
Purchases	6.62	295,000
Revaluation of digital currency	-	92,083
<b>Ending balance</b>	<b>6.62</b>	<b>387,083</b>

The fair value of digital currencies at February 28, 2021 is \$387,083. The increase in value of \$92,083 has been recognized in the revaluation reserve.

### 7. RELATED PARTY TRANSACTIONS

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

	February 28, 2021		February 29, 2020	
Business development	\$	-	\$	75,000
Consulting		152,500		130,000
Director fees		3,000		1,250
Share-based compensation		48,249		121,830
	\$	203,749	\$	328,080

During the year ended February 28, 2021, the Company was charged \$24,189 (February 29, 2020 - \$62,324) by a Canadian related company with similar key management personnel for management fees. At February 28, 2021, \$nil (February 29, 2020 - \$35,027) is owing to the Canadian related company with similar key management personnel and is included in accounts payable and accrued liabilities.

During the year ended February 28, 2021, the Company issued 300,000 shares to two officers of the Company at an average price of \$0.163 per share in accordance with the terms of the agreement to purchase Skyrun.

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.

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For the years ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

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### **8. 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. The Company does not have an allowance for doubtful accounts. As at February 29, 2020, there were no significant amounts past due or impaired.

#### *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 and Philippine pesos will increase.

#### *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.

#### *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:

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### 8. FINANCIAL INSTRUMENTS RISK (Continued)

- 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:

		February 28, 2021	February 29, 2020
	Fair Value Level	Fair value through profit or loss	Fair value through profit or loss
		\$	\$
<i>Financial assets:</i>			
Cash and cash equivalents	1	1,836,827	985,162
		1,836,827	985,162

The Company's cash and cash equivalents are classified as level 1. During the years ended February 28, 2021 and February 29, 2020, there were no transfers between level 1, level 2 and level 3.

### 9. ACQUISITION OF SKYRUN TECHNOLOGY CORP

On August 28, 2018, the Company entered into a binding share purchase agreement to acquire 100% of the outstanding common shares of Skyrun, a Vancouver-based company developing a virtual currency platform, [coincurve.com](http://coincurve.com). Under the terms of the share purchase agreement, the Company will issue up to 1,320,000 common shares (700,000 issued to date) in exchange for 100% of the issued and outstanding shares of Skyrun. The shares of the Company will be released to the principals of Skyrun, Wayne Chen and Rod Hsu, when certain milestones are reached that are linked directly to the development, operations and overall success of the Company on or prior to December 31, 2020.

On May 28, 2019, the TSX-V provided final approval for the Skyrun acquisition and change of business to a technology issuer.

### 10. 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.

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### 11. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

For the years ended	February 28, 2021	February 29, 2020
	\$	\$
Net loss for the year before tax	(813,197)	(1,355,713)
Expected income tax (recovery) expense	(220,000)	(366,000)
Net adjustment for deductible and non-deductible amounts	59,000	69,000
Unrecognized benefit of current non-capital loss	161,000	297,000
Total income tax (recovery) expense	-	-

The Company's unrecognized temporary differences and unused tax losses consists of the following:

As at	February 28, 2021	February 29, 2020
	\$	\$
Exploration and evaluation carrying amounts	329,000	329,000
Fixed and intangible assets	31,000	102,000
Non-capital loss carry-forwards	14,200,000	13,906,000
Share issue costs	42,000	15,000
Unrecognized deductible temporary differences	14,602,000	14,352,000

As of February 28, 2021, the Company has Canadian non-capital losses carry forward of approximately \$8,372,000 (February 29, 2020 - \$7,802,000). These losses are available to be utilized as deductions against future year's Canadian taxable income operations. If not utilized, they will expire as follows:

	\$
2026	158,000
2027	293,000
2028	381,000
2029	291,000
2030	517,000
2031	250,000
2032	523,000
2033	338,000
2034	873,000
2035	707,000
2036	600,000
2037	291,000
2038	157,000
2039	1,251,000
2040	1,172,000
2041	570,000
	8,372,000

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### **11. INCOME TAXES** *(Continued)*

As at February 28, 2021, the Company has US non-capital loss carry-forwards for tax purposes (expiring between 2026 and 2040) of approximately \$5,829,000 (February 29, 2020 - \$6,200,000) available to be utilized as deductions against future year's US taxable income.

### **12. SUBSEQUENT EVENTS**

- (a) On May 20, 2021, the Company granted share options to purchase up to 1,000,000 common shares of the Company at an exercise price of \$0.65.
- (b) On June 9, 2021, the Company closed the Transaction.

The Company issued 22,400,001 shares in consideration for the transfer of all of the issued and outstanding common shares in the capital of LQwD Financial to the Company on a 1:1 basis. In addition, all outstanding warrants of LQwD Financial to acquire up to 4,000,000 common shares of LQwD Financial at a price of \$0.15 per LQwD Financial common share until January 2, 2025 were automatically adjusted to be exercisable into shares on a 1:1 basis.

In connection with the Transaction, on March 23, 2021, the Company closed a non-brokered private placement of 20,000,000 subscription receipts (each, a "Subscription Receipt") at a price of \$0.25 per Subscription Receipt for gross proceeds of \$5 million (the "Concurrent Financing"). Each Subscription Receipt entitled the holder thereof to receive one share and one-half of a share purchase warrant (each whole such warrant, a "Warrant"). Each 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, subject to the Accelerated Expiry described below. The Subscription Receipts and the securities into which they are convertible, bear a hold period of four months and a day from the closing of the Concurrent Financing. The Warrants are subject to the Accelerated Expiry, which may be invoked by the Company if, over a period of ten consecutive trading days following the date of issuance of the Warrants, the volume weighted average trading price of the Shares on the Exchange equals or exceeds \$0.60 on each of those 10 consecutive days, by the Company giving notice in writing to the holders of the Warrants that the Warrants will expire on the date that is the earlier of (i) the 30th day following the giving of such notice unless exercised by the holders prior to such date, and (ii) the original expiry date of the Warrants (the "Accelerated Expiry"). In connection with the Concurrent Financing, 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.

- (c) In June 2021, the Company purchased \$2.7 million worth of BTC at an average price of \$45,900.