

LQWD FINTECH CORP.
(formerly INTERLAPSE TECHNOLOGIES CORP.)

Condensed Consolidated Interim Financial Statements

Six Months ended August 31, 2021

Unaudited

(Expressed in Canadian dollars)

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	August 31, 2021	February 28, 2021
Assets		
Current:		
Cash and cash equivalents	\$ 1,231,984	\$ 1,836,827
Amounts receivable	73,842	62,313
Digital currencies (Note 6)	4,370,900	387,083
Prepaid expenses	46,447	53,571
	5,723,173	2,339,794
Non-Current:		
Intangible assets (Note 3 & 10)	6,970,327	561,024
Property and equipment (Note 4)	9,514	2,583
Restricted cash	65,109	39,684
	\$ 12,768,123	\$ 2,943,085
Liabilities and Equity		
Current:		
Accounts payable and accrued liabilities	\$ 230,739	\$ 92,553
	230,739	92,553
Shareholders' equity		
Capital stock (Note 5(b))	32,915,928	23,005,991
Contributed surplus (Note 5(d))	3,502,402	1,900,648
Shares subscribed (Note 5(b))	-	1,062,010
Revaluation reserve	1,075,900	92,083
Deficit	(24,956,846)	(23,210,200)
	12,537,384	2,850,532
	\$ 12,768,123	\$ 2,943,085

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

See accompanying notes.

These financial statements are authorized for issue by the Board of Directors on November 1, 2021.

"Giuseppe (Pino) Perone"

.....Director
Giuseppe (Pino) Perone

"Ashley Garnot"

.....Director
Ashley Garnot

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Revenue	\$ 15,928	\$ 31,361	\$ 51,138	\$ 69,024
General and administrative expenses				
Amortization of intangible assets	388,176	43,898	434,177	87,145
Amortization of property and equipment	988	277	1,182	554
Audit and accounting	9,000	-	14,000	-
Bank charges	1,247	1,084	2,507	2,396
Business development	15,060	-	15,060	-
Consulting and milestone fees	47,603	63,500	70,603	125,500
Director fees	-	500	-	500
Legal	163,184	431	337,620	1,359
Management fees	-	10,213	-	20,290
Marketing	75,960	17,858	151,866	36,233
Office and administration	9,324	2,051	12,454	2,579
Office rent	566	683	1,114	5,486
Platform administration	15,678	17,953	42,534	29,745
Research and development	155,091	20,620	158,636	23,562
Salaries and benefits	177,330	18,915	204,935	38,397
Share-based compensation	149,370	19,022	204,634	48,442
Shareholder relations	7,118	2,061	11,493	3,446
Transfer and filing fees	42,336	17,556	109,914	20,014
Travel and entertainment	11,963	244	12,361	333
	(1,269,994)	(236,866)	(1,785,090)	(445,981)
Other items				
Foreign exchange	2,623	(2,255)	(13,075)	(2,858)
Interest and accretion income	148	284	381	957
	2,771	(1,971)	(12,694)	(1,901)
Net loss for the period	(1,251,295)	(207,476)	(1,746,646)	(378,858)
Other comprehensive income				
Change in revaluation reserve (Note 6)	1,073,350	-	983,817	-
Comprehensive income (loss) for the period	\$ 177,945	\$ (207,476)	\$ (762,829)	\$ (378,858)
Loss per share, basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding	69,573,098	25,776,803	50,299,610	25,630,970

See accompanying notes.

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

For the six months ended August 31,	2021	2020
Operating activities		
Net loss for the period	\$ (1,746,646)	\$ (378,858)
Items not involving cash:		
Amortization of intangible assets	434,177	87,145
Amortization of property and equipment	1,182	554
Milestone shares	-	49,000
Interest and accretion	-	(128)
Share-based compensation	204,634	48,442
	(1,106,653)	(193,845)
Changes non-cash working capital:		
Amounts receivable	3,666	23,947
Prepaid expenses	10,289	12,498
Accounts payable and accrued liabilities	(242,344)	(32,210)
	(228,389)	4,235
Cash used in operating activities	(1,335,042)	(189,610)
Financing activities		
Private placement proceeds	3,937,990	-
Share issue costs	(315,609)	-
Share-options exercised	14,000	-
Warrants exercised	120,666	-
Cash provided by financing activities	3,757,047	-
Investing activities		
Capitalization of intangible assets	-	(64,521)
Cash acquired on acquisition of LQWD Financial Corp.	4,155	-
Purchase of digital currencies	(3,000,000)	-
Purchase of property and equipment	(5,578)	-
Restricted cash	(25,425)	-
Cash used in investing activities	(3,026,848)	(64,521)
Net outflow of cash and cash equivalents	(604,843)	(254,131)
Cash and cash equivalents, beginning of period	1,836,827	985,162
Cash and cash equivalents, end of period	\$ 1,231,984	\$ 731,031
Supplemental cash flow information		
Interest received	\$ 310	\$ 745
Cash and cash equivalents consist of:		
Cash	\$ 965,460	\$ 466,782
Short-term deposits	266,524	264,249
	\$ 1,231,984	\$ 731,031

See accompanying notes.

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

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

	Common Shares		Shares Subscribed	Revaluation Reserve (Note 6)	Contributed surplus	Deficit	Total
	Number	Amount					
Balance, March 1, 2021	30,683,189	\$23,005,991	\$1,062,010	\$ 92,083	\$1,900,648	\$ (23,210,200)	\$ 2,850,532
Share-based payments	-	-	-	-	204,634	-	204,634
Acquisition (Note 10)	22,400,001	5,600,000	-	-	888,000	-	6,488,000
Private placement	20,000,000	5,000,000	(1,062,010)	-	-	-	3,937,990
Share issue costs	-	(843,849)	-	-	519,490	-	(324,359)
Finder's fee	35,000	8,750	-	-	-	-	8,750
Options exercised	40,000	24,370	-	-	(10,370)	-	14,000
Warrants exercised	593,332	120,666	-	-	-	-	120,666
Revaluation of digital currency	-	-	-	983,817	-	-	983,817
Net loss for period	-	-	-	-	-	(1,746,646)	(1,746,646)
Balance, August 31, 2021	73,751,522	\$32,915,928	\$ -	\$1,075,900	\$3,502,402	\$ (24,956,846)	\$ 12,537,384
Balance, March 1, 2020	25,245,644	\$22,224,731	\$ -	\$ -	\$1,828,577	\$ (22,397,003)	\$ 1,656,305
Share-based payments	-	-	-	-	48,442	-	48,442
Acquisition (Note 9)	233,333	35,000	-	-	-	-	35,000
Milestone shares	300,000	49,000	-	-	-	-	49,000
Net loss for period	-	-	-	-	-	(378,858)	(378,858)
Balance, August 31, 2020	25,778,977	\$22,308,731	\$ -	\$ -	\$1,877,019	\$ (22,775,861)	\$ 1,409,889

See accompanying notes.

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2021

(Expressed in Canadian Dollars)

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”.

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 do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended February 28, 2021, which have been prepared in accordance with IFRS issued by the IASB.

The accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual consolidated financial statements for the year ended February 28, 2021.

(b) Significant accounting judgments, estimates and assumptions

The preparation of the Company’s condensed consolidated interim financial statements in conformity with IFRS 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 condensed consolidated interim 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.

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that are expected to have a material impact on the Company.

(c) 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

(d) Intangible assets

Intangible assets consist of the Company's virtual currency software platform, coincurve.com, which was acquired on May 28, 2019, and buybitcoincanada.com, which was acquired on March 31, 2020.

On June 9, 2021, the Company completed the Transaction (see Note 10).

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.

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting for an intangible asset is based on its useful life. Intangible assets with a finite useful life are amortized over their estimated useful life. Intangible assets with an indefinite useful life are not amortized. Intangible assets under development which are not ready for use are not amortized. The amortization method, estimated useful life, carrying value and residual value are reviewed each financial year-end or more frequently if required, and are adjusted as appropriate.

The coincurve.com, buybitcoincanada.com and the Lightning Network platform were assessed as having a useful life of five, two and five years respectively based on management's estimate.

(e) 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.

(f) Leases

IFRS 16, Leases ("IFRS 16") using the modified retrospective approach.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either: (a) the Company has the right to operate the asset; or (b) the Company designed the asset in a way that predetermines how and for what purpose it will be used.

If the contract contains a lease, a right-of-use asset and a corresponding lease liability are set-up at the date at which the leased asset is available for use by the Company. The lease payments are discounted using either the interest rate implicit in the lease, if available, or the Company's incremental borrowing rate. Each lease payment is allocated between the liability and the finance cost so as to produce a constant rate of interest on the remaining lease liability balance. The Company accounts for the lease and non-lease components separately. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company uses the following practical expedients permitted by the standard: a) low value leases and leases with a term of less than 12 months have been accounted for as short-term leases; and b) initial direct costs for the measurement of the right-of-use asset at the date of initial application have been excluded.

The Company has determined that IFRS 16 has no impact on its financial statements.

3. INTANGIBLE ASSETS

	Lightning Network	BuyBitcoinCanada	Coincurve	Total
Cost				
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
Addition	6,843,480	-	-	6,843,480
At August 31, 2021	\$ 6,843,480	\$ 35,000	\$ 804,601	\$ 7,683,081
Accumulated amortization				
At February 29, 2020	\$ -	\$ -	\$ (100,021)	\$ (100,021)
Amortization	-	(16,042)	(162,514)	(178,556)
At February 28, 2021	-	(16,042)	(262,535)	(278,577)
Amortization	(342,174)	(8,750)	(83,253)	(434,177)
At August 31, 2021	\$ (342,174)	\$ (24,792)	\$ (345,788)	\$ (712,754)
Net book value				
February 28, 2021	\$ -	\$ 18,958	\$ 542,066	\$ 561,024
August 31, 2021	\$ 6,501,306	\$ 10,208	\$ 458,813	\$ 6,970,327

4. PROPERTY AND EQUIPMENT

	Computer Equipment	Total
Cost		
At February 29, 2020	\$ 5,022	\$ 5,022
Addition	-	-
At February 28, 2021	5,022	5,022
Addition	8,113	8,113
At August 31, 2021	\$ 13,135	\$ 13,135
Accumulated amortization		
At February 29, 2020	\$ (1,332)	\$ (1,332)
Amortization	(1,107)	(1,107)
At February 28, 2021	(2,439)	(2,439)
Amortization	(1,182)	(1,182)
At August 31, 2021	\$ (3,621)	\$ (3,621)
Net book value		
February 28, 2021	\$ 2,583	\$ 2,583
August 31, 2021	\$ 9,514	\$ 9,514

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2021

(Expressed in Canadian Dollars)

5. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the period ended August 31, 2021:

583,332 warrants at a price of \$0.20 per share and 10,000 warrants at a price of \$0.40 per share were exercised for gross proceeds of \$120,666.

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

On March 23, 2021, the Company closed a non-brokered private placement of 20,000,000 subscription receipts (each, a "Subscription Receipt") at a price of \$0.25 per Subscription Receipt for gross proceeds of \$5,000,000 (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 (see Note 10). On June 9, 2021, the subscription receipts were converted into 20,000,000 common shares and 10,000,000 warrants.

On June 9, 2021, the Company issued 22,400,001 shares, valued at \$0.25 per share, to the shareholders of LQwD Financial Corp. ("LQwD Financial Corp.") in consideration for the transfer of all of the issued and outstanding common shares in the capital of LQwD Financial (see Note 10).

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

During the year ended February 28, 2021:

On March 31, 2020, the Company acquired 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") (see 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 (see Note 9).

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2021

(Expressed in Canadian Dollars)

5. CAPITAL STOCK (Continued)

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.

(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	Weight Average Price per Share
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
Cancelled during the period	(40,000)	0.35
Exercised during the period	(40,000)	0.35
Granted during the period	1,000,000	0.65
Balance at August 31, 2021	1,830,000	\$ 0.51

The following summarizes information about share options that are outstanding on August 31, 2021:

Number of Options	Price per Share	Expiry Date	Options Exercisable
730,000	\$0.35	May 28, 2024	730,000
100,000	\$0.35	July 24, 2024	100,000
1,000,000	\$0.65	May 20, 2026	-
1,830,000			830,000

As of August 31, 2021, the weighted average contractual remaining life is 3.83 years.

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2021

(Expressed in Canadian Dollars)

5. CAPITAL STOCK (Continued)

(d) Share-based compensation

During the six months ended August 31, 2021, the Company granted 1,000,000 stock options and recorded compensation expense of \$204,634. During the year ended February 28, 2021 no stock options were granted and the Company recorded compensation expense of \$72,071.

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

	May 20, 2021	May 28, 2019	July 24, 2019
Risk-free interest rate	0.87%	1.34%	1.33%
Expected stock price volatility	138.28%	123.23%	131.29%
Expected option life in years	5 years	5 years	5 years
Dividend rate	Nil	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
Balance at February 28, 2021	4,904,212	\$0.20	May 2, 2022
Granted at \$0.40	10,689,500	\$0.40	June 9, 2022
Exercised at \$0.20	(583,332)	\$0.20	May 2, 2022
Exercised at \$0.40	(10,000)	\$0.40	June 9, 2022
Balance at August 31, 2021	15,000,380		

As of August 31, 2021, the weighted average contractual remaining life is 0.74 years.

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2021

(Expressed in Canadian Dollars)

5. CAPITAL STOCK (Continued)

(f) Performance-based Share purchase warrants

In connection with the Transaction completed on June 9, 2021 (see Note 10), the Company granted 4,000,000 performance warrants to directors, officers and employees at an exercise price of \$0.15 per warrant share with an expiration date of January 2, 2025.

The performance warrants are subject to vesting upon the achievement of certain milestones by certain dates, as set out below:

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

(g) Compensation options

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

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

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

6. DIGITAL CURRENCIES

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

	August 31, 2021		February 28, 2021	
	Bitcoin	\$	Bitcoin	\$
Opening balance	6.62	387,083	-	-
Purchases	66.40	3,000,000	6.62	295,000
Revaluation of digital currency	-	983,817	-	92,083
Ending balance	73.02	4,370,900	6.62	387,083

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2021

(Expressed in Canadian Dollars)

6. DIGITAL CURRENCIES (Continued)

The fair value of digital currencies at August 31, 2021 is \$4,370,900. The increase in value of \$983,817 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:

	August 31, 2021	August 31, 2020
Consulting	\$ 12,000	\$ 69,000
Directors	-	500
Salaries	151,629	-
Share-based compensation	216,330	32,568
	\$ 379,959	\$ 102,068

During the six-month period ended August 31, 2021, the Company was charged \$nil (2020 - \$19,730) by a Canadian related company with similar key management personnel for management fees. At August 31, 2021, \$nil (2020 - \$22,691) 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.

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 accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. As of August 31, 2021, 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.

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8. FINANCIAL INSTRUMENTS RISK (Continued)

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 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:

- 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:

		August 31, 2021	February 28, 2021
	Fair Value Level	Fair value through profit or loss	Fair value through profit or loss
		\$	\$
<i>Financial assets:</i>			
Cash and cash equivalents	1	1,231,984	1,836,827
		1,231,984	1,836,827

The Company's cash and cash equivalents are classified as level 1. During the three-month period ended August 31, 2021 and year ended February 28, 2021, there were no transfers between level 1, level 2, and level 3.

LQWD FINTECH CORP. (formerly INTERLAPSE TECHNOLOGIES CORP.)

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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. Under the terms of the share purchase agreement, the Company agreed to issue up to 1,320,000 common shares in exchange for 100% of the issued and outstanding shares of Skyrun. The shares of the Company were to 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. As of the date of this document, the Company has issued 700,000 of the milestone shares.

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

10. ACQUISITION OF LQWD FINANCIAL CORP.

On June 9, 2021, the Company acquired 100% of the issued and outstanding shares of LQwD Financial Corp. (the "Transaction"). Under the agreement, each outstanding LQwD Financial share was 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. The purchase consideration also included the fair value of 4,000,000 performance warrants (with varying vesting conditions). Upon completion of the Transaction, LQwD Financial became a wholly owned subsidiary of LQwD.

The Company has recorded the Transaction as an asset acquisition with the allocation of the purchase consideration as follows:

Purchase consideration:	
22,400,001 common shares issued at \$0.25 per share	\$ 5,600,000
Fair value of 4,000,000 performance warrants	<u>888,000</u>
	6,488,000
Fair value of assets and liabilities acquired:	
Cash and cash equivalents	4,155
Amounts receivable	15,195
Prepays	3,165
Equipment	2,535
Accounts payable and accrued liabilities	(380,530)
Intangible asset – Lightning Network Platform	<u>6,843,480</u>
	\$ 6,488,000

11. 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.

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Notes to the Condensed Consolidated Interim Financial Statements

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11. CAPITAL MANAGEMENT *(Continued)*

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 cash dividends since the date of incorporation, nor are any contemplated. The Company may require equity issues to cover administrative and operating cost.

12. SUBSEQUENT EVENTS

On September 2, 2021, the Company granted 3,375,000 stock options at an exercise price of \$0.60 per share to various directors, officers, employees, and consultants who will remain with the Company following the completion of the Transaction, which will be subject to deferred vesting over two (2) years.

On September 16, 2021, the Company filed a final short form base shelf prospectus (the "Final Shelf Prospectus") with the securities commissions in each of the provinces and territories of Canada, except Québec. The Final Shelf Prospectus allows the Company to offer and issue up to \$50 million of common shares, warrants, subscription receipts, units, debt securities or any combination of such securities during the 25-month period that the Final Shelf Prospectus is effective. The securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale, which will be set forth in a prospectus supplement to be filed.

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

On November 1, 2021, the Company announced that it has purchased an additional \$4.5 million worth of Bitcoin. The Company holds approximately 133 Bitcoins with an average cost of approximately \$59,000 per Bitcoin.