

LQWD TECHNOLOGIES CORP.
(formerly LQwD FinTech Corp.)

Condensed Consolidated Interim Financial Statements

Second Quarter ended August 31, 2023

Unaudited

(Expressed in Canadian dollars except as otherwise stated)

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars except as otherwise stated)

	August 31, 2023	February 28, 2023
Assets		
Current:		
Cash and cash equivalents	\$ 1,118,107	\$ 548,806
Amounts receivable	47,721	42,633
Digital currencies (Note 8)	3,963,371	3,638,698
Prepaid expenses	4,894	17,388
	5,134,093	4,247,525
Non-Current:		
Intangible assets (Note 5)	4,102,675	4,617,875
Property and equipment (Note 6)	1,501	2,500
Restricted cash	60,190	61,140
	\$ 9,298,459	\$ 8,929,040
Liabilities and Equity		
Current:		
Accounts payable and accrued liabilities	\$ 78,908	\$ 216,623
	78,908	216,623
Shareholders' equity		
Capital stock (Note 7(b))	57,033,004	55,853,279
Contributed surplus (Note 7(g))	8,828,011	8,708,237
Deficit	(56,641,464)	(55,849,099)
	9,219,551	8,712,417
	\$ 9,298,459	\$ 8,929,040

Nature of operations and going concern (Note 1)

Subsequent events (13)

See accompanying notes.

These financial statements are authorized for issue by the Board of Directors on October 30, 2023.

"Giuseppe (Pino) Perone"

.....Director

Giuseppe (Pino) Perone

"Ashley Garnot"

.....Director

Ashley Garnot

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian Dollars except as otherwise stated)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
Revenue	\$ -	\$ -	\$ -	\$ 4,878
General and administrative expenses				
Amortization of intangible assets	257,600	686,457	515,200	1,374,373
Amortization of property and equipment	499	10,029	999	24,924
Audit and accounting	19,000	12,350	31,000	24,850
Bank charges	592	674	1,112	1,961
Consulting fees	18,609	72,340	26,577	191,156
Insurance	-	295	-	591
Legal	10,898	8,013	11,583	8,998
Marketing	54,657	70,692	111,775	168,917
Office and administration	10,043	11,754	16,582	25,056
Office rent	3,000	5,920	6,000	13,091
Platform administration	-	350	-	17,849
Research and development	65,732	73,645	127,582	185,349
Salaries and benefits	50,119	68,893	100,239	157,793
Stock-based compensation	37,098	162,545	119,774	585,156
Shareholder relations	1,340	4,024	6,170	12,959
Transfer and filing fees	20,347	24,798	26,866	26,521
Travel and entertainment	190	21,296	13,096	23,363
	(549,724)	(1,234,075)	(1,114,555)	(2,842,907)
Other items				
Foreign exchange	(2,129)	36,765	(4,032)	17,682
Interest and accretion income	776	703	1,533	1,131
Gain on lease modification	-	8,835	-	8,835
Loss (gain) on revaluation (Note 8)	(147,367)	(1,687,037)	324,689	(3,834,008)
Loss on sale (Note 8)	-	(196,136)	-	(196,136)
Loss on disposal of property and equipment (Note 6)	-	(19,403)	-	(23,260)
	(148,720)	(1,856,273)	322,190	(4,025,756)
Net loss and comprehensive loss for the period	(698,444)	(3,090,348)	(792,365)	(6,863,785)
Loss per share, basic and diluted	\$ (0.06)	\$ (0.03)	\$ (0.07)	\$ (0.07)
Weighted average number of common shares outstanding	11,471,718	9,777,430	10,720,399	9,774,336

See accompanying notes.

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

For the six months ended August 31,	2023	2022
Operating activities		
Net loss for the period	\$ (792,365)	\$ (6,863,785)
Items not involving cash:		
Amortization of intangible assets	515,200	1,374,373
Amortization of property and equipment	999	24,924
Gain on lease modification		(8,835)
Interest and accretion	950	105
Lease liability	-	(18,389)
(Gain) loss on revaluation	(324,689)	4,030,144
Stock-based compensation	119,774	585,156
Write-off property and equipment	-	23,260
	(480,131)	(853,047)
Changes non-cash working capital:		
Amounts receivable	(137,714)	6,710
Prepaid expenses	12,494	39,819
Accounts payable and accrued liabilities	(5,073)	(225,411)
	(130,293)	(178,882)
Cash used in operating activities	(610,424)	(1,031,929)
Financing activities		
Proceeds from share issuance (Note 7(b))	1,182,000	-
Share issue costs	(2,275)	-
Warrants exercised	-	30,000
Cash provided by financing activities	1,179,725	30,000
Investing activities		
Change in restricted cash	-	5,000
Sale of digital currencies	-	1,289,895
Sale of property plant and equipment	-	23,810
Cash provided by investing activities	-	1,318,705
Net inflow of cash and cash equivalents	569,301	316,776
Cash and cash equivalents, beginning of period	548,806	871,449
Cash and cash equivalents, end of period	\$ 1,118,107	\$ 1,188,225
Supplementary disclosures:		
Interest received	\$ 2,483	\$ 1,116
Cash	\$ 1,100,078	\$ 1,170,946
Short-term deposits	18,029	17,279
	\$ 1,118,107	\$ 1,188,225

See accompanying notes.

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars except as otherwise stated)

	<u>Common Shares</u>		<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number⁽¹⁾</u>	<u>Amount</u>			
Balance, March 1, 2023	9,777,430	\$ 55,853,279	\$ 8,708,237	\$ (55,849,099)	\$ 8,712,417
Stock-based payments	-	-	119,774	-	119,774
Net loss for period	-	-	-	(792,365)	(792,365)
Private placement (Note 7(b))	1,825,596	1,182,000	-	-	1,182,000
Share issue costs	-	(2,275)	-	-	(2,275)
Balance, August 31, 2023	11,603,026	\$ 57,033,004	\$ 8,828,011	\$ (56,641,464)	\$ 9,219,551
Balance, March 1, 2022	9,762,430	\$ 55,823,279	\$ 7,802,520	\$ (46,170,151)	\$ 17,455,648
Stock-based payments	-	-	585,156	-	585,156
Net loss for period	-	-	-	(6,863,785)	(6,863,785)
Warrants exercised	15,000	30,000	-	-	30,000
Balance, August 31, 2022	9,777,430	\$ 55,853,279	\$ 8,387,676	\$ (53,033,936)	\$ 11,207,019

(1) On November 14, 2022, the Company's outstanding share capital was consolidated on the basis of ten pre-consolidated common shares for one post-consolidated share.

See accompanying notes.

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

On July 28, 2023, the Company changed its name from “LQWD Fintech Corp.” to “LQWD Technologies Corp.”.

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

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

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. On August 31, 2023, the Company had working capital of \$5,055,185 (February 28, 2023: \$4,030,902). On August 31, 2023, the Company also had an accumulated deficit of \$56,641,464 (February 28, 2023: \$55,849,099).

2. BASIS OF PRESENTATION AND CONSOLIDATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the majority of the Company’s subsidiaries.

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

2. BASIS OF PRESENTATION AND CONSOLIDATION (Continued)

(c) Functional and presentation currency (Continued)

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

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

(d) Basis of consolidation

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

The Company's subsidiaries are:

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Significant accounting judgments, estimates and assumptions

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

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

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

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

- It is Management's judgement that digital currencies meet the definition of intangible assets in IAS 38 Intangible Assets. Digital currencies consist of cryptocurrency denominated assets and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate less costs to sell. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. Fair value is determined by taking the price of the digital currencies from www.coinbase.com.
- Digital currencies generally meet the relatively wide definition of an intangible asset, as they are identifiable, lack physical substance, are controlled by the holder and give rise to future economic benefits for the holder. Intangible assets should be accounted for under IAS 38, except when they are within the scope of another standard (e.g., crypto-assets that meet the definition of a financial asset under IAS 32 or crypto-assets held for sale in the ordinary course of business under IAS 2).
- The Company is subject to income tax assessment in Canada. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken in the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of these condensed consolidated interim financial statements. Additionally, estimating income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before such deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.
- The Company estimates the cost of equity-settled stock-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an equity instrument with a term equal to the expected life of the option, and the expected forfeiture rate.
- The Company recognizes revenue on the completion of transaction using the company's infrastructure or for services provided. As consideration for these services, the Company receives digital currencies from the client. Revenue is recognized when the Company receives the fee for a forwarding transaction. For hosting and other services contracts, the Company has determined that the substance of the service contracts is provision of services under IFRS 15 Revenue from Contracts with Customers. Revenue is recognized only when the amount of the contract and separate performance obligations are identified, the transaction can be measured reliably, the transaction price can be allocated to the performance obligations, and the performance obligations is satisfied. Accordingly, the Company has determined that revenue should be recognized as the provision of services under the contract is completed. Determination of separate elements under the terms of the contract and completion of performance obligation may be subject to significant judgment exercised by management.
- The functional currency of the Company and its subsidiaries has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and expenses.

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency. The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the condensed consolidated interim financial statements.

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

(b) Intangible assets

Intangible assets consist of the Lightning Network, the Lightning Platform, and the Company's virtual currency software platform, coincurve.com. As of May 20, 2022, the Company has temporarily halted operations of coincurve.com to focus on expanding the Lightning network business.

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

(c) Digital currencies

Digital currencies (Note 8) meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at the fair value of the acquisition date and the revaluation method is used to measure the digital assets subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss.

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Digital currencies (Continued)

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

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

(d) Revenue recognition

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

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

(e) Financial instruments

Recognition and initial measurement

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

Classification and subsequent measurement

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

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

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

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

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

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

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

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

Derecognition

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

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

4. CHANGES IN ACCOUNTING STANDARDS

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the period ending August 31, 2023 and, accordingly, have not been applied in preparing these consolidated financial statements.

Amendment to IAS 1 Presentation of Financial Statements

The IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements. The amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendment is effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

4. CHANGES IN ACCOUNTING STANDARDS *(Continued)*

Amendment to IFRS 16 Leases

In September 2022, the IASB issued an amendment to IFRS 16 Leases which add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. The amendment is effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

Amendment to IFRS 10 Consolidated Financial statements and IAS 28 Investments in Associates and Joint Ventures

In September 2014, IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures were amended to clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined. Early adoption is permitted.

New and Amended Accounting Pronouncements

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

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

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment had no significant impact on the consolidated financial statements.

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from change in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. This amendment had no significant impact on the consolidated financial statements.

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

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment had no significant impact on the consolidated financial statements.

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

5. INTANGIBLE ASSETS

	Lightning Network	Lightning Platform	BuyBitcoinCanada	Coincurve	Total
Cost					
At February 28, 2022	\$ 5,696,000	\$ 220,000	\$ 35,000	\$ 804,601	\$ 6,755,601
Additions	-	-	-	-	-
At February 28, 2023	5,696,000	220,000	35,000	804,601	6,755,601
Additions	-	-	-	-	-
At August 31, 2023	\$ 5,969,000	\$ 220,000	\$ 35,000	\$ 804,601	\$ 6,755,601
Accumulated depreciation					
At February 28, 2022	\$ (610,285)	\$ (33,000)	\$ (33,542)	\$ (429,041)	\$ (1,105,868)
Depreciation	(813,715)	(44,000)	(1,458)	(172,685)	(1,031,858)
At February 28, 2023	(1,424,000)	(77,000)	(35,000)	(601,726)	(2,137,726)
Depreciation	(406,858)	(22,000)	-	(86,342)	(515,200)
At August 31, 2023	\$ (1,830,858)	\$ (99,000)	\$ (35,000)	\$ (688,068)	\$ (2,652,926)
Net book value					
February 28, 2023	\$ 4,272,000	\$ 143,000	\$ -	\$ 202,875	\$ 4,617,875
August 31, 2023	\$ 3,865,142	\$ 121,000	\$ -	\$ 116,533	\$ 4,102,675

6. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Right of Use Asset	Total
Cost					
At February 28, 2022	\$ 15,474	\$ 47,167	\$ 3,337	\$ 143,739	\$ 5,022
Sale	-	(23,810)	-	-	(23,810)
Disposal	(8,314)	(23,357)	(3,337)	(143,739)	(178,747)
At February 28, 2023	7,160	-	-	-	7,160
Additions	-	-	-	-	-
At August 31, 2023	\$ 7,160	\$ -	\$ -	\$ -	\$ 7,160
Accumulated amortization					
At February 28, 2022	\$ (5,644)	\$ (2,757)	\$ (371)	\$ (22,695)	\$ (31,467)
Amortization	(3,473)	(3,701)	(463)	(18,913)	(26,550)
Disposal	4,457	6,458	834	41,608	53,357
At February 28, 2023	(4,660)	-	-	-	(4,660)
Amortization	(999)	-	-	-	(999)
At August 31, 2023	\$ (5,659)	\$ -	\$ -	\$ -	\$ (5,659)
Net book value					
February 28, 2023	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
August 31, 2023	\$ 1,501	\$ -	\$ -	\$ -	\$ 1,501

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

7. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the period ended August 31, 2023:

On June 8, 2023, LQWD closed a non-brokered private placement financing of \$882,000, upsized from \$750,000. Under the private placement, LQWD issued 1,356,846 units of the Company at a price of \$0.65 per unit. Each unit is comprised of one common share of the Company and one common share purchase warrant, with each warrant being exercisable for one common share at a price of \$0.85 per common share at any time up to 24 months following the closing date of the private placement with each warrant being subject to acceleration in certain circumstances.

On April 26, 2023, the Company announced it closed a non-brokered private placement financing of \$300,000. Under the private placement, LQWD issued 468,750 units of the Company at a price of \$0.64 per unit. Each unit is comprised of 1 common share of the Company and 1 common share purchase warrant, with each warrant being exercisable for 1 common share at an exercise price of \$0.85 per common share at any time up to 36 months following the closing date of the private placement.

During the year ended February 28, 2023:

15,000 warrants, redeemable for \$2.00 per share, were exercised for gross proceeds of \$30,000.

On November 14, 2022, the Company underwent a ten-for-one share consolidation of its issued and outstanding common shares. The share consolidation was approved by the Board of Directors on October 18, 2022. Prior to the share consolidation, the number of issued and outstanding common shares was 97,777,807. Following the consolidation, the number of issued and outstanding common shares reduced to 9,777,430. This consolidation has been retrospectively applied to all periods presented in these financial statements. The impact of the share consolidation has been reflected in the loss per share calculations. All share and per share data for all periods presented have been adjusted to reflect the consolidation.

(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.

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

7. CAPITAL STOCK (Continued)

The following is a continuity of outstanding share options:

	Number of Options	Weighted Average Price per Share
Balance at February 28, 2022	703,000	\$ 5.39
Cancelled during the period	(106,000)	3.50
Balance at February 28, 2023	597,000	5.47
Balance at August 31, 2023	597,000	\$ 5.47

(d) Stock-based compensation

The following summarizes information about share options that are outstanding at August 31, 2023:

Number of Options	Price per Share	Expiry Date	Options Exercisable
52,000	\$3.50	May 28, 2024	52,000
100,000	\$6.50	May 20, 2026	75,000
287,500	\$6.00	September 2, 2026	215,625
157,500	\$4.50	December 26, 2026	118,125
597,000			521,688

As of August 31, 2023, the weighted average contractual remaining life is 2.85 years.

During the six months ended August 31, 2023, no options were granted, and the Company recorded compensation expense of \$119,774. During the year ended February 28, 2023, no options were granted and the Company recorded compensation expense of \$905,717.

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

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

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

(e) Share purchase warrants

The following is a continuity of outstanding share purchase warrants:

	Number of Warrants	Weighted Average Price per Share
Balance at February 28, 2022	2,736,715	\$ 4.10
Exercised during the year	(15,000)	2.00
Expired during the year	(1,428,038)	3.50
Balance at February 28, 2023	1,293,677	4.80
Granted during the period	1,825,596	0.85
Balance at August 31, 2023	3,119,273	\$ 2.50

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

7. CAPITAL STOCK (Continued)**(e) Share purchase warrants (Continued)**

The following summarizes information about the warrants that are outstanding at August 31, 2023.

Number of Warrants	Price per Share	Expiry Date
1,140,800	\$5.00	October 28, 2023
152,877	\$3.50	October 28, 2023
468,750	\$0.85	April 26, 2026
1,356,846	\$0.85	June 8, 2025
3,119,273		

As of August 31, 2023, the weighted average contractual remaining life is 1.45 years.

(f) Performance-based share purchase warrants

In connection with the Transaction completed on June 9, 2021, the Company granted 400,000 performance warrants to directors and officers at an exercise price of \$1.50 per warrant share with an expiration date of January 2, 2025.

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

	On or before	Number of Performance Warrants	Exercise price of vested performance warrants	Number of performance warrants vested
1. LSP services, payment channels and watchtowers established	June 30, 2021	100,000	\$1.50	100,000
2. Launch of Bitcoin staking on LN channels and payment routing tools	December 31, 2021	100,000	\$1.50	100,000
3. Launch of LQWD money financial portal	December 31, 2022	100,000	\$1.50	Cancelled
4. Application/integration of analytics, machine learning and data API	December 31, 2023	100,000	\$1.50	-
		400,000		200,000

(g) Contributed surplus

The following summarizes information about contributed surplus as at August 31, 2023.

	Options	Warrants	Performance based share purchase warrants	Total
Contributed surplus	\$ 4,441,576	\$ 847,290	\$ 3,539,145	\$ 8,828,011

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

8. DIGITAL CURRENCIES

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

	August 31, 2023		February 28, 2023	
	Bitcoin	\$	Bitcoin	\$
Opening balance	112.76	3,638,698	150.90	8,295,599
Sales	-	-	(38.14)	(1,293,247)
Fees	(0.00)	(16)	-	-
Gain (loss) on revaluation	-	324,689	-	(3,160,795)
Loss on sale	-	-	-	(202,859)
Ending balance	112.76	3,963,371	112.76	3,638,698

The fair value of digital currencies at August 31, 2023 is \$3,963,371. The increase in value of \$324,689 has been recognized in gain on revaluation. As this gain offsets previously recognized losses, it has been reported in income from operations rather than in other comprehensive income.

9. RELATED PARTY TRANSACTIONS

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

	August 31, 2023		August 31, 2022	
Research and development	\$	60,000	\$	15,000
Salaries		72,000		130,940
Stock-based compensation		98,248		460,713
	\$	230,248	\$	606,653

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

10. FINANCIAL INSTRUMENTS RISK

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

Credit Risk

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

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

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

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

10. FINANCIAL INSTRUMENTS RISK (Continued)

Market Risk

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

Foreign Exchange Risk

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

Liquidity Risk

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

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

As at August 31, 2023, the contractual maturities of financial liabilities were as follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 2 Year	2 to 3 Year	3 to 4 Years	+ 4 Years
Trade payable and accrued liabilities	\$78,908	\$78,908	\$78,908	-	-	-	-
Total	\$78,908	\$78,908	\$78,908	-	-	-	-

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.

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

10. FINANCIAL INSTRUMENTS RISK (Continued)

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

		August 31, 2023	February 28, 2023
	Fair Value Level	Fair value through profit or loss	Fair value through profit or loss
		\$	\$
Digital currencies	2	3,963,371	3,638,698
		3,963,371	3,638,698

The Company's digital currencies are classified as level 2. During the three month period ended August 31, 2023 and year ended February 28, 2023, there were no transfers between level 1, level 2 and level 3.

11. DIGITAL CURRENCY AND RISK MANAGEMENT

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

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

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performances of digital currencies are not indicative of their future price performance. The Company's digital currencies consist primarily of Bitcoin. The impact of a 25% variance in the price of this digital currency on the Company's earnings before tax, based on their closing prices at August 31, 2023 would be approximately \$990,843.

12. CAPITAL MANAGEMENT

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

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

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

LQWD TECHNOLOGIES CORP. (formerly LQWD FINTECH CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended August 31, 2023

(Expressed in Canadian Dollars except as otherwise stated)

13. SUBSEQUENT EVENTS

None.