



BTQ TECHNOLOGIES CORP.

Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

BTQ TECHNOLOGIES CORP.

Condensed Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars
(unaudited))

	March 31, 2023 \$	December 31, 2022 \$	January 1, 2022 \$
		(Note 13)	(Note 13)
Assets			
Current assets			
Cash	7,616,670	2,058,214	–
Receivables	95,389	28,734	475
Prepaid expenses and deposits	46,787	107,542	31,080
Total current assets	7,758,846	2,194,490	31,555
Non-current assets			
Restricted cash	2,875	–	–
Property and equipment (Note 4)	119,167	115,620	17,572
Intangible assets (Note 5)	4,960,674	5,070,156	150,769
Investments (Note 6)	1,434,498	1,422,120	–
Deposits	27,047	26,451	–
Total non-current assets	6,544,261	6,634,347	168,341
Total assets	14,303,107	8,828,837	199,896
Liabilities and shareholders' equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities	1,170,639	771,110	64,258
Loans payable	–	–	17,231
Due to related parties (Note 10)	28,654	30,364	316,997
Total liabilities	1,199,293	771,110	398,486
Shareholders' equity (deficit)			
Share capital (Note 7)	21,489,941	9,950,950	62,900
Options reserve (Notes 3 and 8)	380,077	–	–
Warrants reserve (Note 9)	67,386	–	–
Accumulated other comprehensive income (loss)	335,127	342,558	(2,467)
Deficit	(9,168,717)	(2,235,781)	(259,023)
Total shareholders' equity (deficit)	13,103,814	8,057,727	(198,590)
Total liabilities and shareholders' equity (deficit)	14,303,107	8,828,837	199,896

Nature of operations and going concern (Note 1)
Subsequent event (Note 14)

Approved and authorized for issuance on behalf of the Board on May 15, 2023:

"Olivier Roussy Newton" Director

"Michael Resendes" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

BTQ TECHNOLOGIES CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars)
(unaudited)

	Three months ended March 31, 2023 \$	Three months ended March 31, 2022 \$
Expenses		
Depreciation and amortization (Notes 4 and 5)	111,492	–
General and administrative	129,653	37,594
Marketing and promotion	21,656	5,455
Professional fees	139,273	(14,018)
Research and development	433,928	40,561
Share-based compensation (Notes 8 and 10)	282,545	–
Transfer agent and regulatory fees	199,790	–
Wages and benefits (Note 10)	610,314	158,513
Total expenses	1,928,651	228,105
Loss before other income (expense)	(1,928,651)	(228,105)
Other income (expense)		
Foreign exchange gain	2,630	434
Listing costs (Note 3)	(5,006,915)	–
Total other income (expense)	(5,004,285)	434
Net loss for the period	(6,932,936)	(227,671)
Comprehensive income (loss)		
Foreign currency translation adjustment	(7,431)	5,885
Net comprehensive loss for the period	(6,940,367)	(221,786)
Loss per share, basic and diluted	(0.07)	–
Weighted average number of common shares outstanding	105,649,477	92,000,000

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

BTQ TECHNOLOGIES CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(expressed in Canadian dollars)
(unaudited)

	Share capital		Options reserve \$	Warrants reserve \$	Accumulated other income (loss) \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$					
Balance, December 31, 2022	92,000,000	9,950,950	–	–	342,558	(2,235,781)	8,057,727
Shares of the Company pursuant to reverse takeover	8,747,629	3,499,051	–	–	–	–	3,499,051
Revaluation of stock options pursuant to reverse takeover	–	–	97,532	–	–	–	97,532
Shares issued for cash	18,001,250	7,200,500	–	–	–	–	7,200,500
Shares issued to finder for the Transaction	2,500,000	1,000,000	–	–	–	–	1,000,000
Share issuance costs	–	(160,560)	–	67,386	–	–	(93,174)
Fair value of stock options granted	–	–	282,545	–	–	–	282,545
Foreign currency translation loss	–	–	–	–	(7,431)	–	(7,431)
Net loss for the period	–	–	–	–	–	(6,932,936)	(6,932,936)
Balance, March 31, 2023	121,248,879	21,489,941	380,077	67,386	335,127	(9,168,717)	13,103,814
Balance, December 31, 2021	92,000,000	62,900	–	–	(2,467)	(259,023)	(198,590)
Foreign currency translation loss	–	–	–	–	5,885	–	5,885
Net loss for the period	–	–	–	–	–	(227,671)	(227,671)
Balance, March 31, 2022	92,000,000	62,900	–	–	3,418	(486,694)	(420,376)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

BTQ TECHNOLOGIES CORP.

Condensed Interim Consolidated Statements of Cash Flows
(expressed in Canadian dollars)
(unaudited)

	Three months ended March 31, 2023 \$	Three months ended March 31, 2022 \$
Operating activities		
Net loss for the period	(6,932,936)	(227,671)
Items not involving cash:		
Amortization of intangible assets	105,247	—
Depreciation of property and equipment	6,245	—
Listing costs	5,006,915	—
Share-based compensation	282,545	—
Changes in non-cash operating working capital:		
Receivables	86,063	7
Prepaid expenses and deposits	(66,655)	2,029
Accounts payable and accrued liabilities	(25,184)	(45,607)
Net cash used in operating activities	(1,537,760)	(271,242)
Investing activities		
Purchase of property and equipment	(9,826)	(13,948)
Purchase of investment	(13,314)	—
Cash acquired in reverse takeover	16,562	—
Net cash used in investing activities	(6,578)	(13,948)
Financing activities		
Proceeds from related party loans	—	282,621
Repayment of loans payable	—	(17,231)
Proceeds from issuance of shares	7,200,500	—
Share issuance costs	(93,174)	—
Proceeds from subscriptions received	—	2,737,710
Net cash provided by financing activities	7,107,326	3,003,100
Effect of foreign exchange rate changes on cash	(4,532)	7,977
Increase in cash	5,558,456	2,725,887
Cash, beginning of period	2,058,214	—
Cash, end of period	7,616,670	2,725,887

Supplemental cash flow information (Note 11)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

BTQ TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2023 and 2022
(expressed in Canadian dollars)
(unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

BTQ Technologies Corp. (formerly Sonora Gold & Silver Corp.) (“the Company”) was incorporated on November 23, 1983 under the Business Corporations Act (British Columbia). The principal activity of the Company is the development of computer-based technology related to post-quantum cryptography, particularly as it applies to blockchain and related technologies, and their protection from the emerging security risk of quantum computing. The Company’s registered office is located at 25th Floor, 700 West Georgia Street, Vancouver, BC, Canada. The Company’s common shares trade on the NEO Exchange under the ticker symbol “BTQ”.

On February 17, 2023, the Company acquired all of the issued and outstanding shares of BTQ AG, a Liechtenstein incorporated company, in exchange for 92,000,000 common shares. This transaction constituted a reverse takeover of the Company by BTQ AG with BTQ AG being identified as the accounting acquirer. As a result, these condensed interim consolidated financial statements are a continuation of BTQ AG. The Company’s results of operations are included from February 17, 2023 onwards, except for share capital which has been retroactively adjusted to reflect the capital of the Company. Refer to Note 3.

These condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has a net loss of \$6,932,936 for the three months ended March 31, 2023 (2022: \$227,678), and, as of March 31, 2023, the Company had working capital of \$6,559,553 (December 31, 2022: \$1,423,380) and an accumulated deficit of \$9,168,717 (December 31, 2022 - \$2,235,781). The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors indicate a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

The Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the pandemic and the war in the Ukraine to the business to be limited, the indirect impacts on the economy and on the cybersecurity industry and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position, and cash flows in the future.

These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed interim consolidated financial statements.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to interim financial information, as outlined in International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” and using the accounting policies consistent with those in the audited financial statements as at and for the year ended December 31, 2022.

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical cost, except for certain financial assets and liabilities that are measured at fair value.

BTQ TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
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(expressed in Canadian dollars)
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2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries listed in the following table:

Name of Entity	Country of incorporation	Functional Currency	Ownership interest as at March 31, 2023	Ownership interest as at December 31, 2022
BTQ AG	Liechtenstein	U.S. dollars	100%	0%

The results of the subsidiary are included in the consolidated financial statements of the Company from the date that control commences until the date the Company's control ceases. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

Change in presentation currency

Effective February 17, 2023, the accounting acquirer, BTQ AG, changed its presentation currency from U.S. dollars to Canadian dollars. In making this change in presentation currency, the Company followed the guidance in IAS 21, *The Effects of changes in Foreign Exchange Rates* and has applied this change retrospectively, as if the Canadian dollar has always been its presentation currency, as follows:

- Assets and liabilities have been translated into Canadian dollar at the rate of exchange prevailing at the respective reporting dates;
- The condensed interim consolidated statements of loss and comprehensive loss were translated at the average exchange rates for the respective reporting periods, or at the exchange rates prevailing at the applicable transaction date;
- Equity transactions have been translated at the exchange rate prevailing at the date of the transactions; and
- Exchange differences arising on translation were recorded in accumulated other comprehensive income (loss) in shareholders' equity.

Refer to Note 12 for the impact of the change in presentation currency.

Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2023, and have not been early adopted in preparing these condensed interim consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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3. REVERSE TAKEOVER

On December 31, 2021 (as amended on April 29, 2022, July 30, 2022 and November 29, 2022), the Company, BTQ AG, and shareholders of BTQ AG entered into an agreement pursuant to which the Company agreed to acquire all of the issued and outstanding shares of BTQ AG (the "Transaction").

The closing of the Transaction occurred on February 17, 2023, at which time the Company issued 92,000,000 common shares in exchange for of the issued and outstanding common shares of BTQ AG. The Company consolidated its common shares on a 10:1 basis immediately prior to the closing of the transaction.

As a result of the completion of the Transaction, the former shareholders of BTQ AG acquired 75.88% of the outstanding common shares of the Company, and, for accounting purposes, are considered to have acquired control of the Company. Accordingly, the Transaction constitutes a reverse acquisition of the Company by BTQ AG and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. As the Company did not qualify as a business prior to the closing of the transaction according to the definition in IFRS 3, this reverse acquisition did not constitute a business combination; rather it was treated as an issuance of shares by BTQ AG for the net assets of the Company. Accordingly, no goodwill was recorded with respect to the Transaction. The Transaction was measured at the fair value of the common shares that BTQ AG would have had to issue to the shareholders of the Company, being 8,747,629 common shares with a fair value of \$3,499,051, and the fair value of 350,000 stock options of the Company with a fair value of \$97,532, to give the shareholders of the Company the same percentage of equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of BTQ AG acquiring the Company. The Company issued 2,500,000 common shares with a fair value of \$1,000,000 as a finder's fee for the Transaction. The fair value of common shares and stock options issued were estimated based on the Company's financing event which took place concurrently to the reverse takeover transaction at the price of \$0.40 per common share. Refer to Note 6. These condensed interim consolidated financial statements include the accounts of the Company as at February 17, 2023 and the historical accounts of the business of BTQ AG since its incorporation on March 26, 2021.

The purchase price is allocated as follows:

	\$
Fair value of the Company's shares (8,747,629 common shares)	3,499,051
Fair value of 350,000 stock options of the Company outstanding	97,532
Fair value of 2,500,000 common shares issued as a finder's fee	1,000,000
Total consideration	4,596,583
Less: fair value of identifiable assets and liabilities acquired:	
Cash	16,562
Prepaid expenses	25,308
Restricted cash	2,875
Accounts payable and accrued liabilities	(455,077)
Net liabilities	(410,332)
Listing costs	5,006,915

The fair value of stock options of the Company was calculated using the Black-Scholes option pricing model with the following assumptions: volatility of 150%, expected life of 2.1 years, no dividends, no forfeitures, and a risk-free rate of 4.15%.

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4. PROPERTY AND EQUIPMENT

	IT equipment \$	Furniture and equipment \$	Total \$
Cost:			
Balance, December 31, 2022	106,064	47,032	153,096
Additions	9,826	–	9,826
Balance, March 31, 2023	115,890	47,032	162,922
Accumulated depreciation:			
Balance, December 31, 2022	32,774	4,702	37,476
Additions	5,189	1,056	6,245
Foreign exchange translation difference	(3)	36	33
Balance, March 31, 2023	37,960	5,794	43,754
Net carrying value:			
Balance, December 31, 2022	73,291	42,329	115,620
Balance, March 31, 2023	77,930	41,238	119,168

5. INTANGIBLE ASSETS

	Patents \$	IP in progress \$	Assembled workforce \$	Internet domain btq.com \$	Total \$
Cost:					
Balance, December 31, 2022 and March 31, 2023	2,952,592	2,396,541	115,124	142,821	5,607,078
Accumulated amortization:					
Balance, December 31, 2022	421,799	–	115,123	–	536,922
Additions	105,247	–	–	–	105,247
Foreign exchange translation difference	2,172	1,947	–	116	4,235
Balance, March 31, 2023	529,218	1,947	115,123	116	646,404
Net carrying value:					
Balance, December 31, 2022	2,530,793	2,396,541	1	142,821	5,070,156
Balance, March 31, 2023	2,423,374	2,394,594	1	142,705	4,960,674

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6. INVESTMENTS

	Equity investments \$	Loan receivable \$	Total \$
Balance, December 31, 2022	67,720	1,354,400	1,422,120
Additions	13,314	–	13,314
Foreign exchange translation difference	164	(1,100)	(936)
Balance, March 31, 2023	81,198	1,353,300	1,434,498

During the year ended December 31, 2022, the BTQ AG invested \$67,720 (US\$50,000) in the Holonym Foundation (“Holonym”), which corresponds to a 1% stake in the enterprise. The equity investment is not traded in an active market. The management of the Company considers the participation in Holonym to be a strategic, long-term equity investment. Holonym is using some of the Company’s technology related to post-quantum security and zero-knowledge proofs.

On December 1, 2022, as part of the Company’s strategic investment strategy, BTQ AG entered into an agreement with MEV Trading Inc. (“MEV”), under which the Company granted a loan of \$1,351,400 (US\$1,000,000) which is non-interest bearing, and due on June 30, 2023. In consideration for the loan, MEV issued a warrant to BTQ AG entitling BTQ AG to purchase shares of MEV non-voting stock equal to 10% of the loan amount based on the fully-diluted pre-money valuation of the borrower as determined by the most recent qualified equity financing round before the maturity date or within one year of issuance, whichever occurs earlier.

On January 11, 2023, BTQ AG invested \$13,314 (US\$10,000) in the form of a Simple Agreement for Future Equity (“SAFE”) into Cysic Inc. (“Cysic”), a developer of hardware system designed to provide hardware acceleration systems for ZK-proof protocols. Cysic specializes in the ZK proof system which is a cryptographic technique that confirms whether a statement is true or false without revealing that statement’s contents through their printed circuit board, enabling businesses to bring a well-scaled web3 to the masses.

7. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value

Share transactions during the three months ended March 31, 2023:

- On February 17, 2023, the Transaction closed, resulting in a reverse takeover (refer to Note 3). The Transaction was measured at the fair value of the shares that BTQ AG would have had to issued to the shareholders of the Company, being 8,747,629 common shares with a fair value of \$3,499,051;
- On February 17, 2023, the Company issued 2,500,000 common shares with a fair value of \$1,000,000 as finders’ fee for the Transaction;
- On February 17, 2023, the Company completed a subscription receipt financing of 18,001,250 common shares at \$0.40 per share for gross proceeds of \$7,200,500. In connection with the financing, the Company incurred share issuance costs of \$93,174 and issued 232,936 finders’ warrants with fair value of \$67,386. The fair value of the finders’ warrants was calculated using the Black-Scholes option pricing model.

BTQ TECHNOLOGIES CORP.

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(expressed in Canadian dollars)
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7. SHARE CAPITAL (continued)

Escrowed shares

On completion of the Transaction, certain principals of the Company entered into a NP 46-201 Escrow Agreement with the NEO Exchange and Computershare Trust Company of Canada, as escrow agent, in respect of 45,250,000 common shares. Under the terms of the Escrow Agreement, 25% of such escrowed securities were released upon closing (February 17, 2023) with subsequent 25% releases occurring 6, 12, and 18 months from closing. These escrow shares will be released as follows:

<u>Date of automatic timed release</u>	<u>Amount of escrow shares released</u>
On the date that the Company's common shares were listed on the NEO, February 17, 2023	1/4 of the escrowed shares
6 months after the listing date (August 17, 2023)	1/4 of the escrowed shares
12 months after the listing date (February 17, 2023)	1/4 of the escrowed shares
18 months after the listing date (August 17, 2024)	The remainder of the escrowed shares

As at March 31, 2023, 33,937,500 common shares remained in escrow.

8. STOCK OPTIONS

The Company has a stock option plan (the "Plan") for directors, officers, employees, and consultants of the Company. Stock options are exercisable for periods of up to five years, as determined by the Board of Directors of the Company, to purchase common shares of the Company at a price not less than the discounted market price on the date of the grant. The maximum number of shares which may be issuable under the Plan cannot exceed 10% of the total number of issued and outstanding common shares on a non-diluted basis.

The following table summarizes the continuity of the Company's stock options:

	<u>Number of stock options</u>	<u>Weighted average exercise price \$</u>
Outstanding, December 31, 2021 and 2022	–	–
Outstanding stock options of the Company prior to reverse takeover	350,000	0.50
Granted	7,135,000	0.40
Outstanding, March 31, 2023	7,485,000	0.40
Exercisable, March 31, 2023	450,000	0.48

Additional information regarding stock options outstanding as at March 31, 2023, is as follows:

<u>Range of exercise prices \$</u>	<u>Outstanding</u>		<u>Exercisable</u>	
	<u>Number of stock options</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number of stock options</u>	<u>Weighted average exercise price \$</u>
0.40	7,135,000	4.6	100,000	0.40
0.50	350,000	2.1	350,000	0.50
	7,485,000	4.5	450,000	0.48

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8. STOCK OPTIONS (continued)

The fair value for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	There months ended March 31, 2023
Risk-free interest rate	3.54%
Expected life (in years)	4.48
Expected volatility	150%

The total fair value of stock options recognized during the three months ended March 31, 2023 was \$282,545 (2022 – \$nil), which was recorded as share-based payment reserve and charged to the consolidated statement of loss. The weighted average fair value of the stock options granted during the three months ended March 31, 2023 was \$0.36 (2022 – \$nil) per option.

9. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2021 and 2022	–	–
Issued	232,936	0.40
Balance, March 31, 2023	232,936	0.40

As at March 31, 2023, the following share purchase warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price \$	Expiry date
232,936	0.40	February 17, 2025

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10. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key Management Compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include directors, the chief executive officer ("CEO"), and chief financial officer ("CFO") of the Company. Key management personnel compensation during the three months ended March 31, 2023 and 2022 was comprised of the following:

	Three months ended March 31, 2023 \$	Three months ended March 31, 2022 \$
Wages and benefits	42,811	—
Share-based payments	48,941	—
Total	94,752	—

As at March 31, 2023, the Company owed \$25,556 (December 31, 2022 - \$27,264) to the CEO of the Company, which is non-interest bearing, unsecured, and due on demand.

As at March 31, 2023, the Company owed \$3,098 (December 31, 2022 - \$3,100) to a company controlled by the father of the CEO of the Company, which is non-interest bearing, unsecured, and due on demand.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31, 2023 \$	Three months ended March 31, 2022 \$
Non-cash investing and financing activities:		
Receivables acquired in reverse takeover	25,308	—
Restricted cash acquired in reverse takeover	2,875	—
Trade and other payables assumed in reverse takeover	455,077	—
Shares issued as a finder's fee for the Transaction	1,000,000	—
Finders' warrants issued pursuant to private placement	67,386	—

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair Values

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at March 31, 2023 and December 31, 2022 as follows:

	Fair value measurements using			Balance, March 31, 2023 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Investments	–	–	1,434,498	1,434,498

	Fair value measurements using			Balance, December 31, 2022 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Investments	–	–	1,422,120	1,422,120

The fair values of the Company's other financial instruments, which include cash, restricted cash, and accounts payable and accrued liabilities, and due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and loan receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company expects the loan receivable to be repaid on time, but cannot assure this with certainty. The carrying amount of financial assets represents the maximum credit exposure.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in a foreign currency.

The Company's subsidiary has certain monetary financial instruments denominated in U.S. dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

The following table indicates the impact of foreign currency exchange risk on net working capital as at March 31, 2023. The table below also provides a sensitivity analysis of a 10% strengthening of the foreign currency against functional currencies identified which would have increased (decreased) the Company's net loss by the amounts shown in the table below. A 10% weakening of the foreign currency against the functional currencies would have had the equal but opposite effect as at March 31, 2023.

	US\$
Cash	372,705
Trade and other payables	(258,407)
Total foreign currency financial assets and liabilities	114,298
Impact of a 10% strengthening or weakening of foreign exchange rate	14,298

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company relies on raising debt or equity financing in a timely manner.

The following amounts are the contractual maturities of financial liabilities as at March 31, 2023 and December 31, 2022:

As at March 31, 2023	Total \$	Within 1 year \$	Within 2-5 years \$
Accounts payable and accrued liabilities	1,170,639	1,170,639	–
Due to related parties	28,654	28,654	–
Total	1,199,293	1,199,293	–
As at December 31, 2022	Total \$	Within 1 year \$	Within 2-5 years \$
Accounts payable and accrued liabilities	740,746	740,746	–
Due to related parties	30,364	30,364	–
Total	771,110	771,110	–

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13. CHANGE IN PRESENTATION CURRENCY

For comparative purposes, the consolidated statement of financial position as at December 31, 2022 includes adjustments to reflect the change in presentation currency from U.S. dollar to Canadian dollars. The effect of the translation is as follows:

As at December 31, 2022	As previously reported US\$	Translated \$
Current assets	1,620,267	2,194,490
Non-current assets	4,898,366	6,634,347
Total assets	6,518,633	8,828,837
Current liabilities	569,337	771,110
Total liabilities	569,337	771,110

As at January 1, 2022	As previously reported US\$	Translated \$
Current assets	24,890	31,555
Non-current assets	132,782	168,341
Total assets	157,672	199,896
Current liabilities	314,312	398,486
Total liabilities	314,312	398,486

14. SUBSEQUENT EVENT

On April 12, 2023, the Company issued 3,600,000 restricted stock units to consultants of the Company.