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TSXV: LQWD | OTCQB: LQWDF

# LQWD FINTECH CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FORM 51-102F1

FOR THE THREE MONTHS ENDED MAY 31, 2022

**LQWD FINTECH CORP.**  
1050 W. Pender St., Suite 1710  
Vancouver, BC, Canada V6E 3S7

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The following Management's Discussion and Analysis ("MD&A") is dated August 2, 2022, for the period ended May 31, 2022 and should be read in conjunction with LQwD FinTech Corp. ("LQwD" or the "Company") accompanying audited consolidated financial statements for the years ended February 28, 2022 and February 28, 2021.

These condensed consolidated financial statements for the period ended May 31, 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting, except for cash flow information. The MD&A supplement does not form part of the unaudited condensed consolidated interim financial statements for the three month period ended May 31, 2022 or the audited financial statements of the Company and the notes thereto for the year ended February 28, 2022. All amounts are expressed in Canadian dollars unless otherwise indicated. In addition, readers are directed herein to discussions under the headings "*Forward-Looking Statements*", "*Critical Accounting Estimates*" and "*Risk Factors*".

LQwD management is responsible for the integrity of the information contained in this report and for the consistency between the MD&A and the financial statements.

## **CURRENT DEVELOPMENTS**

### **CORPORATE**

On July 18, 2022, Aziz Pulatov was appointed as Chief Technology Officer of the Company replacing Albert Szmigielski who resigned on that date.

On May 27, 2022, Peter Loretto was appointed as a director of the Company replacing Dean Sutton who resigned on that date. Mr. Loretto subsequently resigned on June 15, 2022.

On May 20, 2022, operation of coincurve.com was temporarily halted as the Company focuses on expanding its Lightning Network business.

On December 23, 2021, the Company announced that it granted 1,825,000 stock options exercisable for a period of five years at a price of \$0.45 per share to various directors, officers, employees, and consultants, and will be subject to deferred vesting over two years.

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 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.

On June 9, 2021, the Company acquired 100% of the issued and outstanding shares of LQwD Financial Corp. ("LQwD Financial") (the "Transaction"). Under the terms of the Transaction, 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. Upon completion of the Transaction, the Company changed its name from "Interlapse Technologies Corp." to "LQwD FinTech Corp." and LQwD Financial became a wholly owned subsidiary of LQwD.

In connection with the Transaction, on March 23, 2021, the Company closed a non-brokered private placement of 20,000,000 subscription receipts 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 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.

### **COMPANY OVERVIEW**

The Company was incorporated under the Business Corporations Act (British Columbia) and its head office is in Vancouver, British Columbia, Canada. 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 (the "TSX-V") under the symbol "LQWD" and on the OTCQB market under the symbol "LQWDF" and as at May 31, 2022, had 97,777,807 common shares issued and outstanding.

The executive team of the Company is as follows:

- Shone Anstey – Chief Executive Officer
- Barry MacNeil – Chief Financial Officer
- Aziz Pulatov – Chief Technology Officer
- Giuseppe (Pino) Perone – Corporate Secretary

## OVERALL PERFORMANCE

The Company's objective has been to pursue value generating opportunities for the shareholders. The overall performance for the three-month period ended May 31, 2022, reflected a net loss of \$3,773,437 and working capital of \$6,176,062. LQwD can fund its operations for a further 12 months. The Company recorded revenue of \$4,878 from transaction fees from its coincurve.com platform for the three month period ended May 31, 2022.

	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>Q1</b>	<b>Q4</b>	<b>Q1</b>
Revenue	\$ 4,878	\$ 7,464	\$ 35,210
Loss for the period	\$ (3,773,437)	\$ (19,372,355)	\$ (495,351)

The largest cash expenditures incurred by the Company during the period included consulting fees of \$118,816, research and development of \$111,704 and marketing of \$98,225. The Company recorded total non-cash expenses of \$3,276,250 for share-based compensation of \$422,611, amortization of intangible assets of \$687,916, amortization of property and equipment of \$14,895, write-off of property and equipment of \$3,857 and loss on revaluation of \$2,146,971. During the comparative three-month period ended May 31, 2022, the Company had the addition expense of running LQwD Financial. This resulted in the significant increases in amortization of intangible assets, amortization of property and equipment, audit and accounting, consulting fees, and salaries and benefits. There was also a significant increase in share-based compensation due to the amortization over the vesting period of the calculated cost of the options issued in December 2021. In other items the Company calculated a loss on revaluation of Bitcoin held in the amount of \$2,146,971 representing the change in the current price compared to the Canadian dollar.

## FINANCIAL RESULTS OF OPERATIONS

### SUMMARY OF QUARTERLY RESULTS

	<b>Three Months Ended</b>			
	<b>May 31, 2022</b>	<b>February 28, 2022</b>	<b>November 30, 2021</b>	<b>August 31, 2021</b>
Revenue	\$ 4,878	\$ 7,464	\$ 10,921	\$ 15,928
Gross profit	\$ 4,878	\$ 7,464	\$ 10,921	\$ 15,928
Loss for the period	\$ (3,773,437)	\$ (19,372,355)	\$ (1,840,950)	\$ (1,251,295)
Loss per share	\$ (0.04)	\$ (0.20)	\$ (0.02)	\$ (0.02)
	<b>May 31, 2021</b>	<b>February 28, 2021</b>	<b>November 30, 2020</b>	<b>August 31, 2020</b>
Revenue	\$ 35,210	\$ 34,505	\$ 22,590	\$ 31,361
Gross profit	\$ 35,210	\$ 34,505	\$ 22,590	\$ 31,361
Loss for the period	\$ (495,351)	\$ (204,214)	\$ (230,125)	\$ (207,476)
Loss per share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)

The Company's operations for the three months ended May 31, 2022 produced a loss of \$3,773,437 compared to a loss of \$495,351 for the same quarter in the previous year.

## LIQUIDITY AND CAPITAL RESOURCES

	2023 Q1	2022 Q4	2022 Q1
Cash and cash equivalents	\$ 962,854	\$ 871,449	\$ 461,111
Working capital	\$ 6,176,062	\$ 8,801,613	\$ 5,818,432

As at the date of this report, the Company has adequate cash and working capital to fund its operations and planned capital expenditures for the next 12 months. Any additional material capital expenditures or commitments may require a source of additional financing, which may come from funds through equity financing.

	2023 Q1	2022 Q4	2022 Q1
Issued and outstanding shares	97,777,807	97,627,807	31,266,521
Issued and outstanding shares, fully diluted	132,254,072	136,024,952	37,211,387

During the period ended May 31, 2022, 150,000 warrants, redeemable for one share at a price of \$0.20 per share, for proceeds of \$30,000, were exercised.

The technology business may affect the Company's ability to raise capital to acquire properties and/or pursue other opportunities in the future.

## RELATED PARTY TRANSACTIONS

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

	2023 Q1	2022 Q4	2022 Q1
Consulting fees	\$ -	\$ -	\$ 12,000
Salaries	78,440	101,250	
Share-based compensation	263,131	385,316	53,271
	\$ 341,571	\$ 486,566	\$ 65,271

The breakdown for the related party transactions during the three months ended March 31, 2022 are as follows:

Related Party	Role	Salaries	Share-based compensation	Total
Barry MacNeil	CFO	\$ 15,000	\$ 76,787	\$ 91,787
Albert Szmigielski	CTO	25,940	-	25,940
Giuseppe (Pino) Perone	Corporate Secretary	15,000	93,172	108,172
Ashley Garnot	Independent Director	22,500	93,172	115,672
		\$ 78,440	\$ 263,131	\$ 341,571

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.

## **SHARE CAPITAL**

- a. At May 31, 2022, there were 97,777,807 common shares, 7,030,000 stock options, 100,000 compensation options, 23,346,265 warrants outstanding and 4,000,000 performance-based warrants outstanding.
- b. At August 2, 2022, there were 97,777,807 common shares, 7,030,000 stock options, 12,936,765 warrants outstanding, and 4,000,000 performance-based warrants outstanding.

The Company has one class of common shares. No class A or class B preference shares have been issued.

## **SUBSEQUENT EVENTS**

On June 9, 2022, 10,409,500 warrants issued on June 9, 2021, with an exercise price of \$0.40 expired.

Subsequent to May 31, 2022, the Company sold 15 Bitcoin for proceeds of \$414,170 (US\$327,459).

## **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 business opportunities. The Company defines its capital as shareholders' equity, loans and advances payable. The Board of Directors does not establish 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.

## **COMPETITION**

Competitors for acquisition opportunities include well-capitalized companies, independent companies and other companies having financial and other resources far greater than those of LQWD, thus a degree of competition exists between those engaged in acquiring attractive assets.

## **CRITICAL ACCOUNTING ESTIMATES**

Management is required to make decisions with respect to estimates and assumptions for certain accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses. These accounting policies are discussed below and are included to highlight the critical accounting policies and practices used by the Company. Note the use of different policies and practices could create different results being reported. The Company's management reviews these estimates regularly. New information and changes in circumstance may result in changes to estimated amounts that differ materially from current estimates.

The following assessment of significant accounting policies and associated estimates is not meant to be exhaustive. In the future, the Company might realize different results from the application of new accounting standards issued by regulatory bodies.

To recognize the share-based payment expense, the Company estimates the fair value of stock options granted using assumptions related to interest rates, expected life of the option, volatility of the underlying security and expected dividend yields. These assumptions may vary over time.

The accrual method of accounting requires management to incorporate certain estimates of costs as at a specific reporting date.

## PROPOSED TRANSACTIONS

The Company has no proposed transactions that have not been disclosed.

## 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 May 31, 2022, 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.

### *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 February 28, 2022, 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	449,953	449,953	449,953	-	-	-	-
Lease obligations	118,376	129,176	52,394	54,002	22,780	-	-
Total	568,329	579,129	502,347	54,002	22,780	-	-

### Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. The majority 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:

		May 31, 2022	February 28, 2022
	Fair Value Level	Fair value through profit or loss	Fair value through profit or loss
		\$	\$
<i>Financial assets:</i>			
Cash and cash equivalents	1	962,854	871,449
		962,854	871,449

The Company's cash and cash equivalents are classified as level 1. During the three month period ended May 31, 2022 and year ended February 28, 2021, there were no transfers between level 1, level 2, and level 3.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of short-term investments; cheques issued in excess of funds on deposit, accounts payable and accrued liabilities. Terms of the financial instruments, where relevant, are fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant currency, or credit risks but is exposed to interest rate cash flow risk arising from its financial instruments and that their fair values approximate their carrying values unless otherwise noted.

## 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](http://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 on May 31, 2022, would be \$1,414,747.

## **RISKS**

The Company is a technology business and has adequate cash for its current obligations but may not have sufficient cash to sustain operations indefinitely. With limited financial resources and limited revenue, there is no assurance that future funding will be available to the Company to pursue future endeavours. There is a risk that the Company could be forced to cease operations and become insolvent.

There is no guarantee that the Company will be able to attract interest to participate in an acquisition or another business opportunity. The Company's common shares are now trading on the TSX-V under the symbol "LQWD" and on the OTCQB market under the symbol "LQWDF". There can be no assurance that the Company's current activity and the liquid market for the Company's securities will develop, and shareholders may find it difficult to resell the securities of the Company.

The factors identified above are not intended to represent a complete list of the risks faced by LQwD. LQwD's management believes that the foregoing risks and uncertainties are a fair indication of the risks and uncertainties material to LQwD's business; however, additional risks and uncertainties, including those currently unknown to LQwD or not considered to be material by LQwD, may also adversely affect the business of LQwD.

## **OFF-BALANCE SHEET ARRANGEMENTS**

None noted.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company and results of its operations may be found under LQwD's SEDAR profile at [www.sedar.com](http://www.sedar.com) or on LQwD's website at [www.lqwdfintech.com](http://www.lqwdfintech.com).

## **FORWARD LOOKING STATEMENTS**

The foregoing information contains forward-looking statements within the meaning of securities laws. Forward-looking statements are statements that are not historical fact and often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or states that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking information by its nature requires assumptions and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of LQwD to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information.

Forward-looking statements in this MD&A include, but are not limited to, LQwD's overall strategic plan for assessing acquisition opportunities. In making the forward-looking statements in this MD&A, LQwD has applied certain factors and assumptions that are based on information currently available to LQwD as well as LQwD's current beliefs and

assumptions made by LQwD, including that LQwD will maintain its business plan for the near and mid-term range. Although LQwD considers these beliefs and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect, and the forward-looking statements in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Such risk factors include, among others, that LQwD will be unable to fulfill or will experience delays in fulfilling a strategic plan for the near and mid-term range. Additional risk factors are noted under the heading "*Risks*". The factors identified above and in the "*Risks*" section of this MD&A are not intended to represent a complete list of the factors that could affect LQwD. Although LQwD has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to access to capital, commodity price volatility, well performance and marketability of production, transportation and refining availability and costs.

There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. LQwD does not undertake to update any forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.