TSXV: LQWD | OTCQB: LQWDF

LQWD FINTECH CORP.

(formerly Interlapse Technologies Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1

FOR THE NINE MONTHS ENDED NOVEMBER 30, 2021

LQWD FINTECH CORP.
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The following Management's Discussion and Analysis ("MD&A") is dated January 31, 2022, for the period ended November 30, 2021 and should be read in conjunction with LQwD FinTech Corp. (formerly Interlapse Technologies Corp.) ("LQwD" or the "Company") accompanying audited consolidated financial statements for the years ended February 28, 2021.

These condensed consolidated interim financial statements for the period ended November 30, 2021 have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and its interpretation of the International Financial Reporting Interpretations Committee ("IFRIC"), including IAS 34, Interim Financial Reporting. 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 MD&A supplement does not form part of the unaudited condensed consolidated interim financial statements for the nine month period ended November 30, 2021 or the audited financial statements of the Company and the notes thereto for the year ended February 28, 2021. 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's 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 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. The securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale, which will be set forth in a prospectus supplement to be filed.

On 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, 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 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.

In conjunction with the Transaction, the Company has changed its name from "Interlapse Technologies Corp." to "LQwD FinTech Corp."

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 November 30, 2021, had 97,627,807 common shares issued and outstanding.

As a result of the Transaction, LQwD acquired a financial technology company that develops payment network infrastructure and solutions on top of the Lightning Network, a scalable Layer 2 solution built on top of the Bitcoin blockchain. The Company's business is focused on developing institutional grade services that support the Lightning Network and drive improved functionality, transaction capability, user adoption and utility and scale of Bitcoin. The Company also continues to maintain coincurve.com, which is an online digital platform for users to buy virtual currencies in a streamlined fashion and enables a simple, safe way to buy and spend virtual currency.

Effective June 9, 2021, the executive team of the Company is as follows:

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

On July 20, 2021, the Company, announced the appointment of Lightning Network experts Joost Jager and Roy Sheinfeld as advisors to the Company, effective immediately. Mr. Joost Jager is a Bitcoin and Lightning Infrastructure Engineer with a M.Sc. in Computer Science from Radboud University with a specialization in artificial intelligence. Mr. Jager has worked with San Francisco-based Lightning Labs as a lead developer and delivered multiple ground-breaking Lightning features such as hodl invoices, tlv records and probability-based routing. Currently Mr. Jager works with Bottlepay, where he provides Lightning Network expertise for the development of their European focused wallet solution. Mr. Roy Sheinfeld is a software engineer and the co-founder and CEO of Breez Development Ltd., a privately held Tel Aviv based company that builds interfaces for the Lightning economy. The Breez App is a P2P Lightning Network interface where users can buy, sell, and pay for goods, services, and streaming content with a non-custodial, seamless, and open platform. Previously, he was the Co-founder and CTO of harmon.ie, a company building apps for the Digital Workplace, helping information worker professionals access and collaborate using a variety of leading cloud and on-premises services from Microsoft, IBM, Salesforce, and others.

Company holds approximately 150 Bitcoin with an average cost of approximately $61,000 (USD$48,000) per Bitcoin. These purchases signify the start of a strategic growth initiative to accumulate Bitcoin as a reserve asset, but more importantly as an operating asset, which underpins the Company's Lightning Network SaaS platform.

OVERALL PERFORMANCE

The Company's objective has been to pursue value generating opportunities for the shareholders. The overall performance for the nine-month period ended November 30, 2021, reflected a net loss of $3,587,596 and working capital of $12,680,323. LQwD can fund its operations at current levels for a further 12 months. The Company recorded revenue of $62,059 from transaction fees from its coincurve.com platform for the nine month period ended November 30, 2021.

	2022 Q3	2022 Q2	2021 Q3	Nine months ended November 30, 2021	2020
Sales	$ 10,921	$ 15,928	$ 22,590	$ 62,059	$ 91,614
Loss for the period	$ (1,840,950)	$ (1,251,295)	$ (230,125)	$ (3,587,596)	$ (608,983)

The largest cash expenditures incurred by the Company during the current quarter included marketing of $277,066, research and development of $200,133 and salaries of $114,467. The Company recorded total non-cash expenses of $1,095,555 for share-based compensation, amortization of intangible assets, and amortization of property and equipment. During the three month period ended November 30, 2021, the Company recorded higher costs due to increased share-based compensation and activities related to the acquisition of LQwD Financial and the expenses related to that business.

FINANCIAL RESULTS OF OPERATIONS

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended			
	November 30, 2021	August 31, 2021	May 31, 2021	February 28, 2021
Revenue	$ 10,921	$ 15,928	$ 35,210	$ 34,505
Gross profit	$ 10,921	$ 15,928	$ 35,210	$ 34,505
Loss for the period	$ (1,840,950)	$ (1,251,295)	$ (495,351)	$ (204,214)
Loss per share	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.01)
	November 30, 2020	August 31, 2020	May 31, 2020	February 29, 2020
Revenue	$ 22,590	$ 31,361	$ 37,663	$ 19,726
Gross profit	$ 22,590	$ 31,361	$ 37,663	$ 19,726
Loss for the period	$ (230,125)	$ (207,476)	$ (171,382)	$ (173,016)
Loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

The Company's operations for the three months ended November 30, 2021, produced a loss of $1,840,950 compared to a loss of $230,125 for the same quarter in the previous year.

The loss in the current quarter reflects the increased activity on acquiring LQwD Financial and the expenses related to that business.

The following table shows the general and administrative expenses by each company in the consolidated group to better illustrate the change in the organization.

	Three months ended November 30, 2021				
	LQwD FinTech	LQwD Financial	Skyrun	Other	Total
Total general and administrative expenses	$ 1,112,226	$ 636,730	$ 89,530	$ 2,464	$1,840,950

Included in LQwD's G&A expenses are increased shared based compensation of over $643,000, marketing of over $266,000, and salaries and benefits of over $65,000. The increases are intended to incentivize management and drive innovation and growth in conjunction with the new acquisition.

The Company has been working on the Transaction for the past two quarters and incurred higher legal, regulatory, research and development, salaries and benefits, and marketing. In the four quarters prior to February 28, 2021 the Company maintained operation at a minimum level partly due to the effects of Covid 19 pandemic and the general economic outlook and future of crypto currencies.

LIQUIDITY AND CAPITAL RESOURCES

	2022 Q3	2022 Q2	2021 Q3	Nine months ended November 30, 2021	2020
Cash and cash equivalents	$ 1,384,410	$ 1,231,984	$ 1,274,717	$ 1,384,410	$ 1,274,717
Working capital	$12,680,323	$ 5,492,434	$ 1,251,079	$12,680,323	$ 1,251,079

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.

	2022 Q3	2022 Q2	2021 Q3	Nine months ended November 30, 2021	2020
Issued and outstanding shares	97,627,807	73,751,522	30,683,189	97,627,807	30,683,189
Issued and outstanding shares, fully diluted	134,199,952	94,681,902	36,497,401	134,199,952	36,497,401

During the period ended November 30, 2021, 883,332 warrants redeemable for one share at a price of $0.20 per share, 280,000 warrants redeemable for one share at a price of $0.40 per share and 92,000 warrant redeemable for one share at a price of $0.50, were exercised.

During the period ended November 30, 2021, 40,000 options, redeemable for $0.35 per share, were exercised.

On June 9, 2021, the Company completed the Transaction and the Concurrent Financing upon which the subscription receipts were converted into 20,000,000 common shares and 10,000,000 warrants.

On October 28, 2021, the Company issued 23,000,000 shares for gross proceeds of $8,050,000.

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:

	2022 Q3	2022 Q2	2021 Q3	Nine months ended November 30, 2021	2020
Consulting fees	$ -	$ -	$ 64,000	$ 12,000	$ 133,000
Directors fees	-	-	500	-	500
Salaries	112,500	151,629	-	264,129	-
Share-based compensation	370,056	148,959	3,223	572,286	35,791
	$ 482,556	$300,588	$ 67,723	$ 848,415	$ 169,291

The breakdown for the related party transactions during the three months ended November 30, 2021 are as follows:

Related Party	Role	Salaries	Share-based compensation	Total
Shone Anstey	CEO*	$ 22,500	$ 3,623	$ 26,123
Barry MacNeil	CFO	15,000	92,454	107,454
Albert Szmigielski	CTO*	37,500	3,623	41,123
Giuseppe (Pino) Perone	Corporate Secretary	15,000	123,735	138,735
Kim Evans	Independent Director*	-	3,623	3,623
Ashley Garnot	Independent Director	22,500	139,376	161,876
Dean Sutton	Independent Director*	-	3,622	3,623
		$ 112,500	$ 370,056	$ 482,556

* Joined the Company June 9, 2021.

On June 9, 2021, Wayne Chen, Rodney Hsu, David Loretto and John Vaccaro stepped down from their respective officer and director positions.

During the nine month period ended November 30, 2021, the Company was charged $nil (2020 - $24,189) by a Canadian related company with similar key management personnel for management fees. At November 30, 2021, $nil (2020 - $nil) is owing to the Canadian related company with similar key management personnel and is included in accounts payable and accrued liabilities.

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

SHARE CAPITAL

a. At November 30, 2021, there were 97,627,807 common shares, 5,205,000 stock options, 100,000 compensation options, 27,367,145 warrants outstanding and 4,000,000 performance-based warrants outstanding.
b. At January 31, 2022, there were 97,627,807 common shares, 7,030,000 stock options, 100,000 compensation options, 27,367,145 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 December 23, 2021, the Company granted 1,825,000 stock options at an exercise price of $0.45 per share to various directors, officers, employees, and consultants, which will be subject to deferred vesting over two (2) years.

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 November 30, 2021, there were no significant amounts past due or impaired.

Market Risk

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

Liquidity Risk

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

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

Interest Rate Risk

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

		November 30, 2021	February 28, 2021
	Fair Value Level	Fair value through profit or loss	Fair value through profit or loss
		$	$
Financial assets:			
Cash and cash equivalents	1	1,384,410	1,836,827
		1,384,410	1,836,827

The Company's cash and cash equivalents are classified as level 1. During the nine month period ended November 30, 2021 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.

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 ARRANGMENTS

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 or on LQwD's website at 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.