



TSXV: LQWD | OTCQB: LQWDF

LQWD TECHNOLOGIES CORP.

(Formerly LQwD FinTech Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS FORM 51-102F1

FOR THE SIX MONTHS ENDED AUGUST 31, 2023

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The following Management’s Discussion and Analysis (“MD&A”) is dated October 30, 2023, for the period ended August 31, 2023 and should be read in conjunction with LQWD Technologies Corp. (formerly LQwD FinTech Corp.) (“LQWD” or the “Company”) accompanying audited consolidated financial statements for the years ended February 28, 2023 and February 28, 2022.

These condensed consolidated financial statements for the period ended August 31, 2023 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 six month period ended August 31, 2023 or the audited financial statements of the Company and the notes thereto for the year ended February 28, 2023. 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 28, 2023, the Company changed its name from “LQWD Fintech Corp.” to “LQWD Technologies Corp.”.

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, LQWD 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 one common share of the Company and one common share purchase warrant, with each warrant being exercisable for one 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.

On April 5, 2023, LQWD announced the appointment of Alex Guidi as an independent director of the Company.

On November 14, 2022, the Company completed a share consolidation of the outstanding share capital of LQWD on the basis of ten pre-consolidation common shares for one post-consolidation share. As at November 14, 2022, the Company has 9,777,430 common shares, 597,000 stock options, 1,293,677 warrants and 400,000 performance-based warrants outstanding compared to 97,777,807 common shares, 5,970,000 stock option, 12,936,765 warrants and 4,000,000 performance based warrants pre-consolidation.

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.

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 August 31, 2023, had 11,603,026 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 six-month period ended August 31, 2023, reflected a net loss of \$792,365 and working capital of \$5,055,185. LQWD can fund its operations for a further 12 months. The Company recorded revenue of \$nil for the six-month period ended August 31, 2023.

	2024 Q2	2023 Q2	Six months ended August 31, 2023		2022
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 4,878
Loss for the period	\$ (698,444)	\$ (3,090,348)	\$ (792,365)	\$ -	\$ (6,863,785)

The largest cash expenditures incurred by the Company during the current quarter included research and development of \$65,732, marketing of \$54,657 and salaries and benefits of \$50,119. The Company recorded non-cash expenses for stock-based compensation of \$37,098, amortization of intangible assets of \$257,600, amortization of property and equipment of \$499, and a non-cash loss on revaluation of \$147,367. The Company had significantly lower non-cash expenses compared to the three-month period ended August 31, 2022. This is mainly due to the volatility of Bitcoin. The Company calculated a loss on revaluation of Bitcoin held in the amount of \$147,367 compared to \$1,687,037 for the period ended August 31, 2022. This represents the change in the current price of Bitcoin compared to the Canadian dollar.

FINANCIAL RESULTS OF OPERATIONS

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended			
	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022
Sales	\$ -	\$ -	\$ -	\$ -
Gross profit	\$ -	\$ -	\$ -	\$ -
Loss for the period	\$ (698,444)	\$ (93,921)	\$ (1,884,946)	\$ (930,217)
Loss per share	\$ (0.06)	\$ (0.01)	\$ (0.19)	\$ (0.10)
	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
Sales	\$ -	\$ 4,878	\$ 7,464	\$ 10,921
Gross profit	\$ -	\$ 4,878	\$ 7,464	\$ 10,921
Loss for the period	\$ (3,090,348)	\$ (3,773,437)	\$ (19,372,355)	\$ (1,840,950)
Loss per share	\$ (0.32)	\$ (0.39)	\$ (1.98)	\$ (0.22)

The Company's operations for the three months ended August 31, 2023, produced a loss of \$698,444 compared to a loss of \$3,090,348 for the same quarter in the previous year.

The loss in the current quarter reflects significantly lower non-cash other items compared to the same quarter in the previous year, mainly as a result of the volatility in Bitcoin.

The following table shows the current quarter's earning/loss by each company in the consolidated group to better illustrate the change in the organization.

	Three months ended August 31, 2023				Total
	LQWD Technologies	LQwD Financial	Skyrun	Other	
Loss for the period	\$ 358,286	\$ 292,486	\$ 46,659	\$ 1,013	\$698,444

LIQUIDITY AND CAPITAL RESOURCES

	2024 Q2	2023 Q2	Six months ended August 31, 2023	Six months ended August 31, 2022
Cash and cash equivalents	\$ 1,118,107	\$ 1,188,225	\$ 1,118,107	\$ 1,188,225
Working capital	\$ 5,055,185	\$ 4,029,224	\$ 5,055,185	\$ 4,029,224

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.

	2024 Q2	2023 Q2	Six months ended August 31, 2023	Six months ended August 31, 2022
Issued and outstanding shares	11,603,026	9,777,430	11,603,026	9,777,430
Issued and outstanding shares, fully diluted	15,619,299	12,068,457	15,619,299	12,068,457

During the six-month period ended August 31, 2023, no options or warrants were exercised.

On April 26, 2023, the Company issued 468,750 shares for proceeds of \$300,000.

On June 8, 2023, the Company issued 1,356,846 shares for proceeds of \$882,000.

The technology business may affect the Company's ability to raise capital, to acquire properties and/or to 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:

	2024 Q2	2023 Q2	Six months ended August 31, 2023	Six months ended August 31, 2022
Research and development	\$ 30,000	\$ 15,000	\$ 60,000	\$ 15,000
Salaries	36,000	67,500	72,000	130,940
Stock-based compensation	30,117	197,582	98,248	460,713
	\$ 96,117	\$ 265,082	\$ 230,248	\$ 606,653

The breakdown for the related party transactions during the three months ended August 31, 2023 are as follows:

Related Party	Role	Research and development	Salaries	Stock-based compensation	Total
Barry MacNeil	CFO	\$ -	\$ 10,500	\$ 8,861	\$ 19,361
Aziz Pulatov	CTO	30,000	30,000	3,534	33,534
Giuseppe (Pino) Perone	Corporate Secretary	-	10,500	8,861	19,361
Ashley Garnot	Independent Director	-	15,000	8,861	23,861
		\$ 30,000	\$ 36,000	\$ 30,117	\$ 96,117

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.

During the three month period ended August 31, 2023, the Company was charged \$3,000 (2022 - \$nil) for office rent by a Canadian related company with similar key management personnel. At August 31, 2023, \$nil (2022 - \$nil) is owing to the Canadian related company with similar key management personnel and is included in accounts payable and accrued liabilities.

SHARE CAPITAL

- a. At August 31, 2023, there were 11,603,026 common shares, 597,000 stock options, 3,119,273 warrants and 300,000 performance-based warrants outstanding.
- b. At October 30, 2023, there were 11,603,026 common shares, 597,000 stock options, 1,825,596 warrants and 300,000 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

None.

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, cash and cash equivalents, and restricted cash represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. As of August 31, 2023, 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 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. 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:

		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.

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.

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 August 31, 2023, would be \$990,843.

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.sedarplus.ca or on LQWD's website at www.lqwdtech.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.

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.