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TSXV: LQWD | OTCQX: LQWDF

# LQWD TECHNOLOGIES CORP.

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

FOR THE THREE MONTHS ENDED MAY 31, 2025

**LQWD Technologies Corp.**  
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The following Management's Discussion and Analysis ("MD&A") is dated July 28, 2025, for the period ended May 31, 2025, and should be read in conjunction with LQWD Technologies Corp. ("LQWD" or the "Company") accompanying audited consolidated financial statements for the years ended February 28, 2025, and February 29, 2024.

These condensed consolidated financial statements for the period ended May 31, 2025, 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, 2025, or the audited financial statements of the Company and the notes thereto for the year ended February 28, 2025. 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 15, 2025, the Company announced the launch of an at-the-market equity program ("ATM Program"), allowing the Company to issue up to \$10,000,000 of common shares in the capital of the Company from treasury to the public at the Company's discretion. The offering under the ATM Program is made pursuant to a prospectus supplement dated July 15, 2025, to the Company's short form base shelf prospectus for the province of Québec and the amended and restated short form base shelf prospectus amending and restating the final short form base shelf prospectus dated April 11, 2024, for each of the provinces and territories of Canada, except Québec dated June 30, 2025.

On July 15, 2025, the Company acquired an additional ~57.5 Bitcoin. With these recent purchases, LQWD holds ~238.5 Bitcoin, representing 23.85 billion Satoshi's (Sats).

On July 14, 2025, the Company closed its non-brokered private placement, issuing 560,975 common shares at a price of \$4.10 per share for gross proceeds of approximately \$2,300,000.

On July 10, 2025, the Company closed its brokered private placement, issuing 2,439,024 common shares at a price of \$4.10 per share for gross proceeds of approximately \$10,000,000. The Company paid a cash commission of 7% of the aggregate gross proceeds.

Between June 17, 2025, and July 7, 2025, the Company acquired an additional ~20 Bitcoin. These purchases brought LQWD's total to ~181 Bitcoin, representing 18.1 billion Satoshi's (Sats).

On June 23, 2025, the Company granted 788,000 stock options exercisable for \$3.70 per share to various directors, officers, employees, and consultants. The stock options will vest over a period of 24 months.

On June 9, 2025, the Company announced the appointment of Ashley Garnot as President of the Company. Mrs. Garnot will continue to serve as a director and work closely with the executive team.

On May 22, 2025, the Company engaged Renmark Financial Communications to broaden U.S. and Canadian investor outreach. The twelve-month agreement carries a fee of \$7,000 per month and may be terminated with 30-days notice. Management expects the mandate to enhance market liquidity but does not anticipate a material change in cash burn.

On April 2, 2025, LQWD announced the appointment of Samuel Coyn Mateer as a non-executive director of the Company.

On January 21, 2025, the Company announced that it had qualified to trade on the OTCQX Best Market from the OTCQB Venture Market.

Between January 14, 2025, to January 28, 2025, the Company announced that it had acquired an additional ~20 Bitcoin. These purchases brought LQWD's total to ~161 Bitcoin, representing 16.1 billion Satoshi's (Sats).

On December 23, 2024, the Company closed its non-brokered private placement, issuing 2,000,000 units at a price of \$1.50 per unit for gross proceeds of \$3,000,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant is exercisable into one common share at an exercise price of \$2.00 per share at any time up to 18 months following the closing date of the private placement.

On November 13, 2024, the Company announced that it had acquired an additional ~5 Bitcoin. These purchases brought LQWD's total to ~141 Bitcoin, representing 14.1 billion Satoshi's (Sats).

On November 7, 2024, the Company closed the second tranche of a non-brokered private placement, issuing 2,307,692 units at a price of \$0.65 per unit for gross proceeds of \$1,500,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant is exercisable into one common share at an exercise price of \$0.90 per share at any time up to 18 months following the closing date of the private placement. In connection with the second tranche of the private placement, the Company issued to the finder \$27,875 in cash and 30,972 share purchase warrants.

On October 27, 2024, the Company granted 500,000 stock options that are exercisable for a period of 5 years at a price of \$1.152 per share to various directors, officers, and staff members. The stock options will vest over a period of 12 months.

On October 25, 2024, the Company announced that it had acquired an additional ~16 Bitcoin and on October 29, 2024, the Company announced that it had acquired an additional ~5 Bitcoin. These purchases brought LQWD's total to ~136 Bitcoin, representing 13.6 billion Satoshi's (Sats), equating to 839 Satoshi's per LQWD share.

On October 9, 2024, the Company closed the first tranche of a non-brokered private placement, issuing 3,200,000 units at a price of \$0.70 per unit for gross proceeds of \$2,240,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share for a period of 5 years following the closing date with exercise prices as follows: 1/5th of the warrants will have an exercise price of \$1.00 per share; 1/5th of the warrants will have an exercise price of \$1.25 per share; 1/5th of the warrants will have an exercise price of \$1.50 per share; 1/5th of the warrants will have an exercise price of \$1.75 per share; and the remaining 1/5th of the warrants will have an exercise price of \$2.00 per share. In connection with the first tranche of the private placement, the Company issued to the finder \$112,000 in cash and 160,000 share purchase warrants.

On June 6, 2024, the Company cancelled 208,000 shares held by a service provider. These shares were cancelled pursuant to a settlement agreement dated November 29, 2023, between parties. More specifically, on March 3, 2022, LQWD terminated the service agreement with the service provider, and requested the return of funds paid for services not provided. The parties later agreed, in accordance with the settlement agreement, that in lieu of returning the funds that the service provider would cancel their LQWD shares of a similar value.

On April 16, 2024, the Company filed a final short form base shelf prospectus with the securities commissions in each of the provinces and territories of Canada, except Quebec. This 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.

## **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 OTCQX market under the symbol "LQWDF" and as at May 31, 2025, had 21,915,218 common shares issued and outstanding.

LQWD operates a global network of Bitcoin Lightning Network routing nodes. Since the Company launched its first node in November 2021, node activity and LN presence has increased substantially, routing over 1,173 BTC and over 1,411,600 transactions. LQWD's node network currently charges nominal fees, however, fees could potentially increase substantially over time, based on further adoption of the Lightning Network, which is growing at a rapid rate. The executive team of the Company is as follows:

- Ashley Garnot - President
- Shone Anstey – Chief Executive Officer
- Barry MacNeil – Chief Financial Officer
- Aziz Pulatov – Chief Technology Officer
- Giuseppe (Pino) Perone – General Counsel and Corporate Secretary

## OVERALL PERFORMANCE

The Company's objective has been to solidify its position as a first-mover Lightning-Network liquidity provider and convert that positioning into sustainable, fee-based value for shareholders. The Company ended the period with \$1,329,749 in cash and cash equivalents and held 161.03 BTC in treasury providing an economic liquidity pool in both fiat and digital assets.

The Company recorded revenue of \$2,985 from transaction fees from its routing nodes for the period. Management launched Lightning Service Provider ("LSP") functionality in Q4-F25 and is actively onboarding third-party nodes to leverage this service, with the goal of increasing routing throughput and fee revenue in FY-2026.

The largest cash expenditures incurred by the Company during the period included research and development of \$126,016, consulting of \$81,450, and marketing of \$53,002. The Company recorded total non-cash expenses of \$78,457 for share-based compensation, and amortization of property and equipment.

For the period ended May 31, 2025, the Company had working capital of \$24,435,269 and recorded a net loss of \$540,039. LQWD can fund its operations for a further 12 months.

	2026 Q1	2025 Q4	2025 Q1
Revenue	\$ 2,985	\$ 1,548	\$ 360
Loss for the period	\$ (540,039)	\$ (1,304,179)	\$ (401,443)

## FINANCIAL RESULTS OF OPERATIONS

### SUMMARY OF QUARTERLY RESULTS

	Three Months Ended			
	May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024
Revenue	\$ 2,985	\$ 1,548	\$ 2,736	\$ 909
Gross profit	\$ 2,985	\$ 1,548	\$ 2,736	\$ 909
Loss for the period	\$ (540,039)	\$ (1,304,179)	\$ (408,639)	\$ (389,374)
Loss per share	\$ (0.03)	\$ (0.06)	\$ (0.03)	\$ (0.03)
	May 31, 2024	February 29, 2024	November 30, 2023	August 31, 2023
Revenue	\$ 360	\$ 506	\$ -	\$ -
Gross profit	\$ 360	\$ 506	\$ -	\$ -
(Loss) gain for the period	\$ (401,443)	\$ (2,597,866)	\$ 1,368,517	\$ (698,444)
(Loss) gain per share	\$ (0.03)	\$ (0.23)	\$ 0.12	\$ (0.06)

The Company's operations for the three months ended May 31, 2025, produced a loss of \$540,039 compared to a loss of \$401,443 for the same quarter in the previous year.

The loss in the current quarter of \$540,039 reflects the Company's stage in development where it is trying to establish a new market for fee-based transaction and provisions of liquidity on the Lightning Network, a derivative of the Bitcoin blockchain. The Company has developed a new product to earn fees based on the volume of transactions and the amount of Bitcoin added to the channels to facilitate transactions. The success of the new product depends on the adoption of the Lightning Network as a payment channel and the continued rise in the price of Bitcoin to allow the liquidity in the network to increase to handle growing volumes of transactions. The results of each of the last eight quarters is shown in the above table and is comprised of three components, Revenue, General and Administrative Expenses and Other items. The breakdown of each is as follows:

	Three Months Ended			
	May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024
Revenue	\$ 2,985	\$ 1,548	\$ 2,736	\$ 909
Expenses	\$ 499,512	\$ 912,687	\$ 429,984	\$ 388,845
Other items				
Foreign exchange	\$ (44,082)	\$ 38,954	\$ 17,840	\$ (2,536)
Intangible asset impairment	\$ -	\$ (432,564)	\$ -	\$ -
Interest and accretion income	\$ 570	\$ 570	\$ 769	\$ 1,098

  

	Three Months Ended			
	May 31, 2024	February 29, 2024	November 30, 2023	August 31, 2023
Revenue	\$ 360	\$ 506	\$ -	\$ -
Expenses	\$ 404,247	\$ 538,172	\$ 483,286	\$ 549,724
Other items				
Foreign exchange	\$ 1,656	\$ (352)	\$ 1,226	\$ (2,129)
Intangible asset impairment	\$ -	\$ (2,987,286)	\$ -	\$ -
Interest and accretion income	\$ 788	\$ 790	\$ 789	\$ 776
Gain (loss) on revaluation of digital currencies	\$ -	\$ 986,318	\$ 1,849,788	\$ (147,367)
Gain on sale of digital currencies	\$ -	\$ 77,182	\$ -	\$ -
Derecognition of sales tax receivable	\$ -	\$ (136,852)	\$ -	\$ -

The sales revenue has been well below the projections used to value the Intangible assets over the eight quarters and reflects a slower than projected uptake in the adoption of the Lightning Network. The price sensitivity to transaction fees is also an area that the Company is testing to determine the amount that will affect the volume drawn to the network which have been lower than projected.

The level of expenses has been mostly flat on average over the last eight quarters. The Company will try to keep the expenses flat until we see a rise in the revenue.

There were minor amounts for foreign exchange and interest and accretion income for the current quarter. The last eight quarter other items include impairments, gains and losses, and revaluations of Bitcoin because of the operations and lower than expected results compared to projections. The two largest items are intangible asset impairment and gain on sale of digital currencies of \$2,987,286 and \$1,849,788 respectively. The intangible asset impairment is a result

from the NPV of the projected cashflow from operations related to their cash generating unit not being greater than their carrying value. The assumptions used to determine the value in use are: pre-tax discount rate of 25%, terminal growth of 0% and a 3 year cash flow forecast based on routing-volume growth of 150%, 80% and 50%. These cashflows may correct and increase in value, but with the current results the impairment was necessary. The gain (loss) on revaluation of digital currencies results from increases and decreases in the price of Bitcoin in Canadian dollar equivalents. At the end of each quarter the number of Bitcoin held will be multiplied by the conversion rate to Canadian dollars on the end date of each quarter. The resulting revaluation will create either a gain or loss for each quarter which will have a positive or negative impact on earnings for the quarter. The value of Bitcoin has increased from February 2024 and continues into the current quarter. Once the gain in value exceeds the previous losses recorded the excess is treated as other comprehensive income. The Company sold some Bitcoin in the last eight quarters which resulted in a gain in a quarters and recently began purchasing. The gains are recorded when the selling price exceeds the purchase price and conversely when we sell Bitcoin for less than the purchase price, we record a loss.

The following table discloses the deployment of Bitcoin on the company's lightning network with comparative numbers from the prior year:

	<b>2026 Q1</b>	<b>2025 Q1</b>
BTC Held end of period	161.03	115.44
BTC deployed in Lightning channels	58.11	50.11
CAD value of channel capacity	\$ 8,328,107	\$ 4,605,148
Lightning nodes active (avg.)	23	20
BTC routed during quarter	140.48	106.80
Transactions forwarded	181,286	189,291
Average fee rate (ppm)	11.00	6.36
Routing-fee revenue	\$ 895	\$ 360
LSP invoice revenue	\$ 2,090	\$ -
On-chain fees paid	\$ 8,772	\$ 3,672
LSP transaction costs	\$ 104	\$ -

In Q1 FY 2026 the Company generated \$ 2,090 (Q4 FY 2025 – \$ 1,095) in LSP invoice revenue from onboarding new partners and managing Lightning channels.

During Q4 in F2024 the Company was audited by CRA for GST compliance and was found to be GST exempt and had its input credits disallowed causing a reduction in receivables recorded of \$136,852.

The following table outlines the proposed use of the proceeds of the offering completed on October 9, 2024, along with the amounts expended:

Activity or Nature of Expenditure	Proposed use of Net Proceeds	Approximate proceeds used as of May 31, 2025	Variance	Comments
Development of the Lightning Network Platform	\$ 100,000	\$ 100,000	\$ -	The Company is on track with expected development spending on AI-based channel rebalancing and LSP products. Proceed use expected in Q1 F2026.
General and administrative expenses	\$ 28,000	\$ 28,000	\$ -	The Company is on track with expected G&A spending.
Purchase BTC	\$ 2,000,000	\$ 2,000,000	\$ -	The Company purchased ~21 BTC.
Share issuance costs	\$ 112,000	\$ 112,000	\$ -	Finder's fees paid.
<b>Total</b>	<b>\$ 2,240,000</b>	<b>\$ 2,240,000</b>	<b>\$ -</b>	

The following table outlines the proposed use of the proceeds of the offering completed on November 7, 2024, along with the amounts expended:

Activity or Nature of Expenditure	Proposed use of Net Proceeds	Approximate proceeds used as of May 31, 2025	Variance	Comments
Development of the Lightning Network Platform	\$ 195,000	\$ 66,000	\$ 129,000	The Company is on track with expected development spending on LSP products and rolling out Stable coin support. Proceed use expected in Q2 and Q3 F2026.
General and administrative expenses	\$ 700,000	\$ 663,200	\$ 36,800	The Company is on track with expected G&A spending.
Purchase BTC	\$ 575,000	\$ 575,000	\$ -	The Company purchased ~5 BTC.
Share issuance costs	\$ 30,000	\$ 30,000	\$ -	Finder's fees paid.
<b>Total</b>	<b>\$ 1,500,000</b>	<b>\$ 1,334,200</b>	<b>\$ 165,800</b>	

The following table outlines the proposed use of the proceeds of the offering completed on December 23, 2024, along with the amounts expended:

Activity or Nature of Expenditure	Proposed use of Net Proceeds	Approximate proceeds used as of May 31, 2025	Variance	Comments
General and administrative expenses	\$ 150,000	\$ -	\$ 150,000	The Company is on track with expected G&A spending.
Purchase BTC	\$ 2,850,000	\$ 2,850,000	\$ -	The Company purchased ~20 BTC.
<b>Total</b>	<b>\$ 3,000,000</b>	<b>\$ 2,850,000</b>	<b>\$ 150,000</b>	



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

	Three months ended May 31, 2025				Total
	LQWD Technologies	LQwD Financial	Skyrun	Other	
Loss for the period	\$ (384,604)	\$ (150,172)	\$ (3,685)	\$(1,578)	\$(540,039)

## LIQUIDITY AND CAPITAL RESOURCES

	2026 Q1	2025 Q4	2025 Q1
Cash and cash equivalents	\$ 1,329,749	\$ 1,571,705	\$ 1,081,421
Working capital	\$ 24,435,269	\$ 21,296,093	\$ 11,491,915

As of the date of this report, the Company has sufficient resources to fund its operations and planned capital expenditures for at least the next 12 months. It holds \$1,329,749 in cash and \$24,435,269 in working capital, against an annual cash requirement of approximately \$2.5 million. In addition, the Company has secured \$12.3 million in financing subsequent to May 31, 2025. Management therefore believes the current funding is adequate to carry out all planned initiatives, including expanding network capacity and providing additional liquidity. If the Company undertakes any material projects beyond its current roadmap, it may need to obtain further financing, most likely through additional equity offerings.

	2026 Q1	2025 Q4	2025 Q1
Issued and outstanding shares	21,915,218	21,442,718	13,228,026
Issued and outstanding shares, fully diluted	30,843,132	30,853,132	17,723,622

During the three-month period ended May 31, 2025, 25,000 options, redeemable for \$0.97 per share, were exercised for gross proceeds of \$24,250, and 337,500 warrants, redeemable for \$0.60 per share, and 110,000 warrants redeemable for \$0.90 per share, were exercised for gross proceeds of \$301,500.

In Q4 F2025, 250,000 warrants, redeemable for \$0.60 per share, and 560 warrants, redeemable for \$0.85 per share, were exercised for gross proceeds of \$626,000

On December 23, 2024, the Company issued 2,000,000 common shares for proceeds of \$3,000,000

In November 2024, 105,000 warrants, redeemable for \$0.85 per share, were exercised for gross proceeds of \$89,250.

On November 7, 2024, the Company issued 2,307,692 common shares for proceeds of \$1,500,000.

On October 9, 2024, the Company issued 3,200,000 common shares for proceeds of \$2,240,000.

On June 6, 2024, the Company cancelled 208,000 common shares held by a service provider. These common shares were cancelled pursuant to a settlement agreement dated November 29, 2023, between the parties. More specifically, on March 3, 2022, LQWD terminated the service agreement with the service provider, and requested the return of the funds paid for services not provided. The parties later agreed, in accordance with the settlement agreement, that in lieu of returning the funds the service provider would cancel their LQWD shares of a similar value.

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 Company's key management personnel consist of the Chief Executive Officer, Chief Financial Officer, President, Chief Technology Officer, Corporate Secretary and the members of the Board of Directors. All amounts are stated in Canadian dollars and were measured at the exchange amount, being the consideration established and agreed to by the related parties in the normal course of operations.

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

	<b>2026 Q1</b>	<b>2025 Q4</b>	<b>2025 Q1</b>
Research and development	\$ 39,000	\$ 43,000	\$ 30,000
Salaries	36,000	49,000	36,000
Share-based compensation	53,292	131,356	27,065
	<b>\$ 128,292</b>	<b>\$ 223,356</b>	<b>\$ 93,065</b>

The breakdown for the related party transactions during the three months ended May 31, 2025, are as follows:

<b>Related Party</b>	<b>Role</b>	<b>Research and development</b>	<b>Salaries</b>	<b>Share-based compensation</b>	<b>Total</b>
Barry MacNeil	CFO	\$ -	\$ 10,500	\$ 7,976	\$ 18,476
Aziz Pulatov	CTO	39,000	-	11,540	50,540
Giuseppe (Pino) Perone	Corporate Secretary	-	10,500	15,105	25,605
Ashley Garnot	President/Director	-	15,000	15,105	30,105
Kim Evans	Director	-	-	3,565	3,565
		<b>\$ 39,000</b>	<b>\$ 36,000</b>	<b>\$ 53,292</b>	<b>\$ 128,292</b>

At May 31, 2025, \$nil (2024 - \$45) is owing to key management personnel and is included in accounts payable and accrued liabilities.

During the period ended May 31, 2025, the Company was charged \$3,150 (2024 - \$3,150) by TAG Oil Ltd. a Canadian related company with similar key management personnel for office rent and IT support. At May 31, 2025, \$nil (2024 - \$nil) is owing to the Canadian related company with similar key management personnel and is included in accounts payable and accrued liabilities.

The Company also engaged Renmark Financial Communications Inc. to provide investor-relations services at a fixed fee of \$7,000 per month. Renmark is an arm's-length party, holds no equity in LQWD, and is not considered a "promoter" under TSX-V Policy 3.4.

## SHARE CAPITAL

- a. At May 31, 2025, there were 21,915,218 common shares, 1,305,000 stock options, and 7,632,914 warrants outstanding.
- b. At July 28, 2025, there were 27,571,741 common shares, 1,926,334 stock options, and 5,143,056 warrants outstanding.

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

## SUBSEQUENT EVENTS

In June and July 2025, 402,166 warrants, redeemable for \$2.00, 32,000 warrants redeemable for \$1.00, 1,013,846 warrants, redeemable for \$0.90 per share, 691,846 warrant, redeemable for \$0.85 pre share, and 350,000 warrants, redeemable for \$0.60 per share, were exercised for gross proceeds of \$2,546,863.

In June and July 2025, 100,000 options, redeemable for \$0.60, 50,000 options, redeemable for \$0.97, and 16,666 options, redeemable for \$1.152, were exercised for gross proceeds of \$127,699.

On June 9, 2025, the Company announced the appointment of Ashley Garnot as President of the Company. Mrs. Garnot will continue to serve as a director and work closely with the executive team.

On June 17, 2025, the Company purchased an additional 5 Bitcoin.

On June 23, 2025, the Company granted 788,000 stock options exercisable for \$3.70 per share to various directors, officers, employees, and consultants. The stock options will vest over a period of 24 months.

On June 24, 2025, the Company purchased an additional 5 Bitcoin.

On June 26, 2025, the Company established an advisory board of Bitcoin.

On June 30, 2025, the Company announced the resignation of Alex Guidi from the board of directions.

On July 7, 2025, the Company purchased an additional 10 Bitcoin.

On July 10, 2025, the Company closed its brokered private placement, issuing 2,439,024 common shares at a price of \$4.10 per share for gross proceeds of approximately \$10,000,000. The Company paid a cash commission of 7% of the aggregate gross proceeds.

On July 14, 2025, the Company closed its non-brokered private placement, issuing 560,975 common shares at a price of \$4.10 per share for gross proceeds of approximately \$2,300,000.

On July 15, 2025, the Company purchased an additional 57.5 Bitcoin.

On July 15, 2025, the Company announced the launch of the ATM program, allowing the Company to issue up to \$10,000,000 of common shares in the capital of the Company from treasury to the public at the Company's discretion.

## **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 stock-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 and bank 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 May 31, 2025, 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 May 31, 2025, the contractual maturities of financial liabilities were as follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year
Accounts payable and accrued liabilities	\$87,858	\$87,858	\$87,858
Total	\$87,858	\$87,858	\$87,858

#### *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 and Digital Assets*

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:

	Fair Value Level	May 31, 2025	February 28, 2025
		\$	\$
<i>Financial assets:</i>			
Digital currencies	2	23,077,417	19,800,292

The Company's digital currencies are classified as level 2. During the three-month period ended May 31, 2025, and year ended February 28, 2025, 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 coinmarketcap.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, 2025, would be \$5,769,354.

## 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 OTCQX 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.sedarplus.ca](http://www.sedarplus.ca) or on LQWD's website at [www.lqwdtech.com](http://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.