SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the fiscal year ended December 31, 2019

DISCLAIMER FOR FORWARD-LOOKING INFORMATION

Certain statements in this Management Discussion and Analysis are forward-looking statements or information (collectively "forward-looking statements"). The Company is providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "anticipates", "is expected to", "estimates", "intends", "plans", "projection", "could", "vision", "objective", "goals" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the Company. These forward-looking statements include, among other things, statements relating to the ability of the Company to generate revenue; use of funds; intentions to further develop, market and promote its operations by expansion of its merchant base and industries served in Australia; strategy for customer retention, growth, service development, market position and financial results; the success of marketing and sales efforts of the Company; the Company's efforts to continuously update its software to meet business requirements; future sales plans and strategies; the economy and other future conditions; the timeline to further develop and market future enhancements; unanticipated cash needs and the possible need for additional financing and the adoption of governance policies, committees and practices.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to: a downturn in general economic conditions; the ability of the Company to continue to generate revenue adequate to fund its business plans and operations; the ability of the Company to expand its operations in Australia; competitive conditions in the industry which could prevent the Company from continuing to be profitable; competition from other payment process providers who are well established with the financial capacity to overwhelm the ability of the Company to operate in Australia, security risks; increasing costs of being a publicly traded company, the possibility that our services may become further regulated; the effectiveness and efficiency of advertising and promotional expenditures to generate market interest in the Company's products and services; the inability to list on a public market; volatility of the Company's share price following listing; liquidity and the inability to secure additional financing; the Company's intention not to pay dividends in the near future; claims, lawsuits and other legal proceedings and challenges; conflict of interest with directors and management and other factors beyond the Company's control.

These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of December 31, 2019, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "*Risk Factors and Uncertainties*".

1.1 – Date and Basis of Discussion & Analysis

This management discussion and analysis ("MD&A") is dated March 16, 2020 and should be read in conjunction with the audited financial statements of SQID Technologies Limited for the fiscal year ended December 31, 2019 ("the Financial Statements"). The Company changed the fiscal year-end from June 30, 2019 to December 31, 2019. Accordingly, these Financial Statements are for the six-month period from July 1, 2019 to December 31, 2019. The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless expressly stated otherwise, all financial information is presented in Australian dollars.

1.2 – Overall Performance

Nature of Business

A merchant must work with an acquiring bank, which is a bank or financial institution that accepts credit or debit card transactions for a cardholder ("*Acquiring Bank*"). The *Acquiring Bank* issues a specific merchant account number to a merchant enabling the merchant to accept credit and debit cards from shoppers. An *Acquiring Bank* is a registered member of a card network such as Visa or MasterCard ("*Card Network*"). The *Acquiring Bank* accepts transactions on behalf of a *Card Network* for a merchant.

Payment processors enable merchants to receive debit or credit card payments online by providing a connection to an *Acquiring Bank ("Payment Processors")*. The *Card Network* connects *Acquiring Banks* to the customer's issuing bank so that a customer transaction can be verified. When a customer uses a debit or credit card for a purchase, the *Acquiring Bank* will approve or decline the transactions based on the information on the *Card Network* and issuing bank have on record about that cardholder's account. The merchant submits the purchase transaction information to SQID, the *Payment Processor*, used by its acquiring bank, via a payment gateway (SQID's software that facilitates the communication of transaction information). Assuming approval, the amount of the transaction is deducted from the cardholder's account and the cardholder is given a receipt.

SQID's technology is structured to allow layered access to payment and merchant transactions data such as payments through franchisees (referred merchants) under a franchisor (referring merchant). The business model integrates these retail and wholesale layers and provides split settlements between each layer. This allows the franchisor to receive settlements in parallel to the franchisee. This provides a platform for commission structures and transaction-based rewards that are settled at the same time as the underlying transaction is settled. The model is applicable to affiliate marketing, rewards programs, franchises, marketplace apps, agencies, etc.

Dynamic Onboarding also allows the referring merchant (like a franchisor) to onboard the merchant (referred merchant) applicant data to SQID at the same time as enrolling to their own system, to reduce friction in the sign on process and loss of control of the sales channel to third parties like payment gateways.

The Company deploys industry standard fraud management tools to minimize the occurrence of cardholder and merchant fraud. SQID also carries a bond or security reserve from the merchant to cover any potential fraud loss.

As a *Payment Processor* SQID has contracts with merchants to handle transactions from various channels such as credit and debit card for merchant *Acquiring Banks*.

SQID provide merchant services and transaction processing to business merchants, ecommerce platforms, charities and community organizations. The Company receives a merchant fee, which is a percentage of the transaction value and also in some cases, a fee per transaction.

1.2 – Overall Performance (continued)

Nature of Business (continued)

The Company may also generate revenue for SMS related services such as payment reminder notifications and marketing services. The Company is able to provide ecommerce, payment links, virtual point of sale (POS) terminal access for use on desktop computers or mobile phones.

All merchants have a direct relationship with SQID, which with its software and services provides payment transactions seamlessly.

SQID enables all parties to benefit through our split settlement scheme, dynamic onboarding (onboarding for the business and merchant account in parallel) and our responsive API payment technology that talks to innovative platforms including, but not inclusive only of, SaaS, Mobile applications, mobile franchise business models and other disruptive technologies. The end result is delivery of smarter conversion of business products and services in card-not-present environments.

(1) “SMS” means a “Short Messaging Service” and is centred around cell phone texting and allows businesses to text customers with payment reminders and accept payment via cell phone.

(2) “Split Settlement Scheme” enables a single transaction to be simultaneously settled to both the referring merchant and the referred merchant’s banks by the Company.

(3) “Dynamic Onboarding” provided by the Company to merchants enables easy sign-up, banking integration, pre population of customer information, risk mitigation, onboarding APIs and customization options and immediate set up to begin transactions. A referring merchant is also able to onboard a referred merchant to their own business model and as a SQID merchant as well.

Onboarding is the process of getting a customer up to speed with an API, (Application of Programming Interface) and is a technical communication through which a merchant can sign up for an account.

It is currently operating only in Australia and focuses on online training, social media marketing, SaaS developers and e-commerce developers. High availability hosted servers are located in Sydney with Amazon Web Services, Australia and development servers in Sydney and Brisbane, Australia. This technology can easily be replicated in other jurisdictions that have Amazon Web Services available.

SQID sees an opportunity to reconnect to our merchant customers in the payment cycle and enable them to benefit in the transactional processing, not just the value of the transaction. SQID’s current approach is a move from a referral sales model only to a more proactive direct sales mode with existing merchant clients and new merchants. It allows more than one transaction point to deliver split settlements, and incentivizes referring merchants with a referral fee, to scale this service by onboarding new referred merchants. This is very attractive for high volume card-not-present business models that are tiered, hosts or provide services to e-commerce businesses. To facilitate this new focus, SQID is reviewing how we can value add to our ‘relationship payment’ business model through strategic partnerships with key referrers such as e-commerce web developers, franchisors, and SaaS developers and with merchant referrals. SaaS (software as a service) is a software distribution model where third-party providers host applications and makes them available).

1.2 – Overall Performance (continued)

Nature of Business (continued)

Process Payment Agreements

The Company's active subsidiary, SQID Payments Pty Ltd. has two agreements with two acquiring banks, *Westpac and Merchant Warrior*. The Company has established settings in its software to determine which of the acquiring banks is chosen for each merchant.

Westpac is located in the city of Sydney, New South Wales, Australia. Initially, the Company's now inactive subsidiary, QPay Pty Ltd. signed an agreement called the Aggregator Master Merchant Business Solution Card Acceptance Agreement dated January 29, 2009 with Westpac. Pursuant to a novation agreement dated December 12, 2013 among *Westpac*, QPay Pty Ltd. and *SQID Payments. QPay Pty Ltd. was replaced by SQID Payments as the contracting party with Westpac*. The 2009 and 2013 agreements are collectively (the "*Westpac Agreement*)".

The *Westpac Agreement* reflects the terms of Westpac's license with cardholders such as Visa and MasterCard so *Westpac* is obligated to make its agreements with its payment processors ("SQID") reflect the *Card Scheme Rules*. The *Westpac Agreement* therefore contains standard mandatory terms for banks carrying out their role in the payment process system. *Westpac* can unilaterally amend the *Westpac Agreement* and terminate it for no reason.

Westpac must provide written consent to any change of the ownership of the Company, its principal business activities, type of goods or services supplies to the sub-merchant and those supplied by the sub-merchants to its customers and any assignment of the *Westpac Agreement*.

The Westpac Agreement provides for variation such as new fees or changes, new government charges and any other variation ("Variation"). Westpac can also change the terms and conditions of the Westpac Agreement at any time and notify SQID Payments. No changes have been made to the terms and conditions. Variations have been made by Westpac. SQID Payments is responsible for ensuring that Sub-Merchants are notified of any changes arising from the Variations. Use of the Merchant Facility by the Sub-Merchants following such Variations is deemed acceptance.

Since then, variations have been made in processing methods, card scheme rules, risk management practices, reporting and onboarding of merchants have changed. Westpac sends out guidelines. An example is that Visa banned online pharmaceuticals and advised Westpac (as their acquiror) who advised SQID that online pharma had been moved to the "prohibited' category. If there is a change required by the Card Schemes with a specified time frame, Westpac and Squid work out a time frame to implement the change. If there is a policy change from Westpac, Westpac and Squid also work out a time frame.

Practices that have evolved:

(i) SQID operates one merchant facility covering all sub-merchants within a sub-industry

(ii) onboarding of new sub-merchants is governed by categories of prohibited merchants, merchants requiring Westpac consent and merchants which do not require Westpac consent,

(iii) Credit card authorizations do not always take place prior to a sale,

(iv) Verification of the identities of the sub-merchants rather than cardholders,

1.2 – Overall Performance (continued)

Nature of Business (continued)

Process Payment Agreements (continued)

(v) Storage by SQID and each sub-merchant of encrypted cardholder data rather than names, and

(vi) Westpac charges a fixed base percentage fee and additional interchange and scheme fees.

Given the importance of the services provided by *Westpac* to SQID's business, the Company's compliance with any new policies or practices set by *Westpac* is required in order for SQID to continue to function in reliance on its arrangement with *Westpac*. The Company considers this acceptable commercial practice in the circumstances and common to payment facilitators to comply with the *Card Schemes Rules* within Australia.

In August 2019, the Company signed an agreement with a second *Acquiring Bank, Merchant Warrior*, located in the city of Brisbane, Queensland, Australia dated August 29, 2019 called the Settlement Agent Agreement, the ("Merchant Warrior Agreement*)". Merchant Warrior* provides services comparable to those of Westpac.

Westpac advised of the non-renewal of the *Westpac Agreement* and noted *"It is not a comment on your conduct or other aspects of your relationship with us. We hope that you will appreciate that we are not able to provide you with any further information about our commercial imperatives."*. The notification also states.."*Merchant facilities provided under the Agreement will cease effective 20 April 2020. From this date you will no longer be able to use these services or process payments through these facilities. Transactions processed before this date will be settled in accordance with the Agreement. If you believe that you will require a short extension of time, please let us know. We will give fair consideration to any reasonable request."*

It is SQID's understanding that Westpac has withdrawn from the Third-Party Payments market entirely in Australia.

SQID is actively pursuing a replacement provider to maintain two alternative acquirers for the processing of transactions for the Card Schemes. SQID is in active negotiations with a large international provider for acquirer services and these will ultimately include a pathway for SQID to provide transactions processing internationally and in multiple currencies.

Merchant Warrior is located in the city of Brisbane, Queensland, Australia and is a provider of electronic commerce transactions services for fixed fees. SQID Payments Pty. Ltd. signed an agreement dated August 29, 2019 with *Merchant Warrior* called the Settlement Agent Agreement, the *Merchant Warrior Agreement*. The following is a brief summary of the Company's obligations and liabilities:

1) responsible for vetting the sub-merchants who will utilize the services,

2) the sole point of contact for all matters regarding the services and ensure all necessary contracts are in place,

3) subject to *Merchant Warrior* amending any policy in relation to the services to improve security, efficiency or performance in delivery of the services,

4) responsibility for maintaining security of all information and compliance by it and its sub-merchants with the *Card Scheme Rules*,

1.2 – Overall Performance (continued)

Nature of Business (continued)

<u>Process Payment Agreements (continued)</u>

5) termination by *Merchant Warrior* of the *Merchant Warrior Agreement* on 30 days if SQID is in non-compliance with any material terms of the *Merchant Warrior Agreement*, on 90 days for specified reasons, insolvency, non-compliance with the *Card Scheme Rules* and security requirements, change in the holder of the controlling interest in *Merchant Warrior*,

6) maintaining the security of all confidential information,

7) provide reasonable access to SQID personnel and equipment to discuss and assess any problems or request for assistance,

8) indemnifying *Merchant Warrior* against all liabilities and expenses of any kind as a result of breach of the *Merchant Warrior Agreement*,

9) provide a security deposit of $50,000 which must be maintained at that level at all times or a bank guarantee or deposit bond for the same amount payable on demand, and
10) achieve at least 80% of minimum transactional volumes as follows: Forecast Volume per Day

Milestone periods	At 6 months	At 12 months	At 18 months
Total sales volume achieved	$500,000	$1,000,000	$1,500,000

If the Company fails to meet the required threshold, *Merchant Warrior* may review the performance, subject to Force Majeure event.

Merchant Warrior's aggregate liability is limited, in its discretion to replacement or repair of the services, refunding payments made by clients for services. Neither party is responsible for consequential losses. Dispute resolution is by arbitration of the courts.

Results and Financing

On December 13, 2019, shareholders approved a resolution to buy-back and cancellation of 1,350,000 consolidated shares issued at $0.012 issued to corporate advisors in lieu of payment for services relating to the listing of SQID on the Canadian Stock Exchange. Pursuant to agreements dated June 2019, the shares were initially issued to corporate advisors for expected future services and were cancellable under certain circumstances. The agreements were cancelled on October 31, and November 1, 2019 and the advisors formally agreed that all shares issued were to be bought back and cancelled at the original subscription price.

The shares were replaced by invoices for services provided from October 1, 2018 to October 31, 2019. The company issued 976,280 Ordinary Shares at $0.30 per share for these services in the amount of $292,884. The costs recognized as “Listing expenses”.

1.3 – Selected Annual Information

As at	December 31 2019	June 30 2019	June 30 2018
Current Assets	3,796,100	3,464,087	1,787,051
Other Assets	997,116	785,214	1,130,370
Total Assets	4,793,216	4,249,301	2,917,421
Current Liabilities	1,733,619	1,663,376	1,154,230
Shareholders' Equity	6,822,170	6,544,627	6,529,286
Deficit	(3,762,573)	(3,958,702)	(4,766,095)
Total Liabilities and Shareholders' Equity	4,793,216	4,249,301	2,917,421

Periods Ended	December 31 2019	June 30 2019	June 30 2018
Revenue	3,457,487	5,354,525	3,120,213
Cost of Sales	(2,048,628)	(3,154,989)	(1,878,737)
Gross Profit	1,408,859	2,199,536	1,241,476
Other Income	44,002	49,000	16,861
Operating Expenses	(1,259,493)	(1,100,814)	(638,513)
Income Tax (expense) recovery	2,761	(340,329)	(170,452)
Profit & Comprehensive Profit for Period	196,129	807,393	449,372
Basic and diluted earnings per share	0.02	0.11	0.07
Weighted average number of Ordinary Shares outstanding	8,211,272	8,237,676	6,887,676

1.4 – Results of Operations

During the six months ended December 31, 2019, the Company recorded revenue from contracts of $3,457,487 (year ended June 30, 2019 – $5,354,525, year ended June 30, 2018 – $3,120,213), and other income (interest) of $44,002 (year ended June 30 2019 – $49,000, year ended June 30, 2018 – $18,379). Revenue from contracts grew by 48% in the six-month fiscal year-end December 31, 2019 compared to the six-month period ended December 31, 2018 and by 72% in the year ended June 30, 2019 compared to the year ended June 30, 2018. This growth is as a result of increased number of customers and increase volume per customer.

During the six months ended December 31, 2019, the Company incurred direct transaction costs of $2,048,628 (year ended June 30, 2019 – $3,154,989), related to the revenue from contracts and other revenue which resulted in gross profit of $1,408,859 (year ended June 30, 2019 – $2,199,539). The gross profit margin was 40.7% (June 30, 2019 – 41.1%). The gross profit margin has been generally consistent the past two years.

During the six months ended December 31, 2019, the Company incurred operating expenses of $1,259,493 (year ended June 30, 2019 – $1,100,814 consisting of fees incurred around the listing (legal & corporate advisory) of SQID of $371,500 (year ended June 30, 2019 – $89,838), consultancy fees (executives & other professional fees) of $354,673 year ended June 30, 2019– $317,060), employee benefits expense of $219,146 – 2 new staff introduced (year ended June 30, 2019 – $181,063), other expenses of $185,510 (2018 – $281,467), IT and hosting costs of $39,663 year ended June 30, 2019– $61,498), professional fees (directors) of $56,129 year ended June 30, 2019– $118,506), and depreciation and amortisation expenses of $32,872 (year ended June 30, 2019 – $51,382).

1.4 – Results of Operations (continued)

The Company's net income during the six months ended December 31, 2019 of $196,129 was lower than in previous periods, primarily due to the listing expenses of $371,500 and ancillary consultancy fees related to that. As at December 31, 2019, the Company had accumulated a deficit of $3,762,573 (December 31, 2018 – $4,406,040) and had working capital of $2,062,481 (June 30, 2019 – $1,613,973), consisting primarily of cash and other financial assets. The company has been self-sustaining for the past 4 years and expects to remain so into the future. The Company expects to maintain profitable operations, and the Company has plans to grow its revenue through expanding current markets and expansion into new markets with a more efficient sales model. The Company's ability to continue as a going concern is dependent upon its ability to continue to generate future profitable operations and to successfully expend its markets.

The results from annual sales activities, and certain comparative periods is represented below.

- During the six-month period ended December 31, 2019, 86,000 transactions were processed with a value of $97,000,000. Gross profit was $1,408,859 and Net Income after Tax was $196,129.
- During the twelve-month period ended December 31, 2019, 937,000 transactions were processed with a value of $183,000,000. Gross profit was $2,633,912 and Net Income after Tax was $643,467.
- During the twelve-month period ended December 31, 2018, 560,000 transactions were processed with a value of $106,000,000. Gross profit was $1,591,752 and Net Income after Tax was $477,229.
- For the three-month period ended December 31, 2019, 260,000 transactions were processed with a value of $50,000,000. Gross profit was $721,195 and Net Income after Tax was $139,799.
- For the three-month period ended December 31, 2018, 204,000 transactions were processed with a value of $39,000,000. Gross profit was $593,477 and Net Income after Tax was $259,366.
- During the year ended June 30, 2019, 770,000 transactions were processed with a value of $150,000,000. Gross profit was $2,199,536 and Net Income after Tax was $807,393.
- During the year ended June 30, 2018, 475,000 transactions were processed with a value of $87,000,000. Gross profit was $1,241,476 and Net Income after Tax was $449,372.

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1.5 – Summary of Quarterly Results (Unaudited)

Consolidated Balance Sheet as at	**31-Dec-19**	**30-Sep-19**	**30-Jun-19**	**31-Mar-19**	**31-Dec-18**	**30-Sep-18**	**30-Jun-18**	**31-Mar-18**
Current Assets								
Bank	1,678,713	5,345,871	3,224,234	3,126,828	4,139,160	1,908,292	1,573,520	1,225,095
Accounts Receivable	186,741	209,299	209,452	58,567	80,055	107,724	205,259	148,477
Other Current Assets	1,930,646	16,009	30,401	10,627	18,221	16,452	8,272	14,774
Total Current Assets	**3,796,100**	**5,571,179**	**3,464,087**	**3,196,022**	**4,237,436**	**2,032,467**	**1,787,051**	**1,388,346**
Non-Current Assets								
Intangible Assets	175,318	188,906	202,496	105,627	107,530	109,432	206,211	113,237
Fixed Assets	1,099	1,376	1,654	1,932	2,210	2,488	2,766	3,106
Bonds	236,874	50,000						
Deferred Tax Asset	583,825	559,697	581,064	652,532	749,802	864,406	921,393	976,544
Total Non-current Assets	**997,116**	**799,980**	**785,214**	**760,091**	**859,542**	**976,326**	**1,130,370**	**1,092,887**
Total Assets	**4,793,216**	**6,371,159**	**4,249,301**	**3,956,114**	**5,096,978**	**3,008,793**	**2,917,421**	**2,481,232**
Liabilities								
Current Liabilities								
Accounts Payable	1,054,310	109,412	72,198	83,908	25,593	30,778	24,429	26,601
Other Liabilities	636,751	641,717	639,215	642,886	642,886	642,676	654,444	653,594
Other Payables	42,558	2,977,775	951,963	912,740	2,305,253	471,458	475,357	146,782
Total Current Liabilities	**1,733,619**	**3,728,904**	**1,663,376**	**1,639,534**	**2,973,732**	**1,144,913**	**1,154,230**	**826,978**
Total Liabilities	**1,733,619**	**3,728,904**	**1,663,376**	**1,639,534**	**2,973,732**	**1,144,913**	**1,154,230**	**826,978**
Net Assets	**3,059,597**	**2,642,255**	**2,585,925**	**2,316,580**	**2,123,246**	**1,863,880**	**1,763,191**	**1,654,255**
Equity								
Share Capital	6,822,170	6,544,627	6,544,627	6,529,286	6,529,286	6,529,286	6,529,286	6,529,286
Retained Earnings	(3,762,573)	(3,902,372)	(3,958,702)	(4,212,706)	(4,406,040)	(4,665,406)	(4,766,095)	(4,875,031)
Total Equity	**3,059,597**	**2,642,255**	**2,585,925**	**2,316,580**	**2,123,246**	**1,863,880**	**1,763,191**	**1,654,255**

Assets and liabilities have generally been maintained at stable operating levels to allow for temporary fluctuations. Bank and Other Payables were higher than normal as at September 30, 2019 due to there being 3 days of settlements due to be settled (net margin) to merchants. The settlements are in a Bank account, and the corresponding liability in Other Payables. Generally, there is only one day worth of settlements on hand. As of December 31, 2019, the settlement liability is included in Accounts Payable.

Profit & Loss Quarters Ended	**31-Dec-19**	**30-Sep-19**	**30-Jun-19**	**31-Mar-19**	**31-Dec-18**	**30-Sep-18**	**30-Jun-18**	**31-Mar-18**
Card Revenue from contracts with customers	1,764,836	1,692,645	1,538,375	1,474,526	1,433,843	907,696	813,615	734,859
SMS Revenue from contracts with customers	3	3	5	14	28	38	32	533
Interest Income	17,389	26,613	17,658	15,306	11,717	4,319	4,959	6,536
	1,782,228	1,719,261	1,556,038	1,489,846	1,445,588	912,053	818,606	741,928
Direct Transaction Costs	1,043,644	1,004,984	908,144	879,722	840,394	526,728	474,877	456,893
Employee benefits expense	109,228	109,918	45,266	45,266	45,266	45,266	40,399	40,399
Depreciation & amortisaton	13,866	19,006	44,840	2,181	2,181	2,181	31,266	2,242
Consultancy fees (exec & other professional)	223,657	131,016	81,551	98,881	68,637	67,991	65,597	76,916
Professional fees (directors)	46,129	10,000	29,950	48,556	20,000	20,000	4,402	4,582
Listing expenses	102,497	269,003	41,556	39,282	9,000	-	-	-
IT & hosting costs	20,198	19,465	17,874	15,073	16,274	12,277	11,102	10,391
Other expenses	107,338	78,172	61,385	70,280	69,867	79,935	27,757	26,085
	1,666,557	1,641,564	1,230,566	1,199,241	1,071,618	754,377	655,400	617,507
Profit before Tax	**115,671**	**77,697**	**325,472**	**290,604**	**373,970**	**157,676**	**163,206**	**124,420**
Income Tax	(24,128)	21,367	71,468	97,270	114,604	56,987	55,151	115,301
Profit for the quarter	139,799	56,330	254,004	193,334	259,366	100,689	108,055	9,119
Basic and diluted earnings per share	0.02	0.01	0.03	0.03	0.04	0.01	0.02	0.00
Weighted average number of ordinary shares	8,211,272*	8,237,676	8,237,676^	6,887,676	6,887,676	6,887,676	6,887,676	6,887,676

^ A 2:1 share consolidation was done 5th September 2019. The resultant number of shares is more than half 13,775,298 as shareholders with an odd number of shares before the split received a rounded-up number of shares after the split.

Card revenue has increased 240% over the past eight quarters. The largest increases were in the three-month period ended December 31, 2018. This increase was primarily due to an increased number of customers and increased volume per customer. Direct transaction costs, the costs incurred to realize card revenue, have remained at a consistent percent to card revenue. Consultancy has increased due to additional executive hours required to get the company listed, and the ongoing requirements of a listed company. Listing expenses, incurred over the past 5 quarters, are not expected to continue. The remainder of the expenses were generally consistent.

1.6 – Liquidity and Capital Resources

The Company's sole source of funding in the past three years has been from profitable operations. The Company is planning to grow into new markets and to increase sales in existing markets and therefore may require additional cash flows. The Company's ability to raise cash depends on various capital market conditions. There is no assurance that the Company will be able to obtain any additional financing on terms acceptable to the Company. The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Actual funding requirements may vary from those planned due to a number of factors.

There can be no certainty that the Company's existing cash balances or that the proceeds from the issuance of its Ordinary Shares will provide sufficient funds for all of the Company's cash requirements. Should the need arise, the Company may pursue other financing options. There is no assurance that the Company will be successful in obtaining the funds it may require to sustain operations or that the terms of any financing obtained will be acceptable.

As at December 31, 2019, the Company had cash and cash equivalents on hand of $1,678,713 (year ended June 30, 2019 – $3,224,234).The reason for the high amount as at June 30 2019 was that there were 3 days of gross merchant settlements on hand with funds to be settled (net fees) on the next business day.

During the six months ended December 31, 2019, cash provided by operating activities was $561,513 (year ended June 30, 2019 – $1,391,499), cash used in investing activities was $554,374 (2018 – 882,256), cash used in financing activities was 15,341 (year ended June 30, 2019 cash from investing activities – $15,341). The increase in cash provided by operating activities is primarily related to increased revenue and gross profit. The increase in cash used in investing activities is primarily related to the acquisition of investments.

Shareholder's equity as at December 31, 2019 was $3,059,597 (year ended June 30, 2019 – $2,585,925). Although the Company has been successful in the past in raising the necessary funding to continue operations, there can be no certainty it will be able to do so in the future.

1.7 – Capital Resources – N/A

1.8 – Off Balance Sheet Arrangements

As at December 31, 2019, there were no off-balance sheet arrangements to which the Company was committed.

1.9 – Transactions with Related Parties

The Company had the following balances and transactions with directors and executive officers, or companies controlled by these persons and other related parties for the six months ended December 31, 2019 and June 30, 2019 and outstanding payables as at December 31, 2019 and June 30, 2019:

Transactions	December 31, 2019	June 30, 2019
Consultancy Fees[1]		
Peter Hall – CEO & Director	100,000	200,000
Lee Horobin - CFO	66,445	48,112
Robyn Gunnis - COO	90,000	68,300
Professional Fees		
Daniel Desplat - Director	3,333	40,000
Andrew Sterling - Director	20,000	40,000
John O'Connor - Director	16,666	-
Michael Clarke - Director	16,130	-
Listing Expenses		
First Growth Funds Limited[2] – Advisory Services	45,455	22,727
Shape Capital Pty Ltd[3] – Advisory Services	205,454	61,636
Other Expenses		
Sigrist Design Pty Ltd[4] – Office Rent	15,000	11,400
Balances – Accounts Payable		
Peter Hall	18,333	18,333
Lee Horobin	9,496	7,682
Robyn Gunnis	16,500	11,000
Sigrist Design Pty Ltd	2,750	11,400

(1) Hall, Horobin and Gunnis invoice SQID for their services monthly in arrears. The invoices are paid in full in the following month.

(2) First Growth Funds Limited issued an invoice dated 1 November 2019 for $45,455 for advisory services provided from December 2018 to October 31, 2019 related to the listing of the Company on the Canadian Stock Exchange (CSE). Services included in the invoice were due diligence review of operations, financial analysis, benchmark analysis and market sounding activity. The above amount represents costs incurred for the year ended 30 June 2019 and for the period ended 31 December 2019. First Growth Funds Limited is a major shareholder in the company, holding 14.64% of shares as at the date of this report.

(3) Shape Capital Pty Ltd. issued an invoice dated 1 November 2019 for $205,454 for advisory services provided from November 2018 to 31st October 2019 related to the listing of the Company on the CSE. Services included in the invoice were analysis and due diligence review of the Company's business model, operations, agreements, risk assessment, investor criteria, listing options, going public process and public exchange options and listing criteria. The above amount represents costs incurred for the year ended 30 June 2019 and for the period ended 31 December 2019. A director and the owner of Shape Capital Pty Ltd, Anoosh Manzoori, is also the CEO of First Growth Funds Limited.

(4) Director Peter Hall has a beneficial interest in Sigrist Design Pty Ltd which rents out office space as well as being the registered office for the Group. This arrangement commenced January 2019.

Subsequent Events

- The group listed its shares on the Canadian Stock Exchange (CSE) on 21 January 2020.
- On 20 February 2020, Athan Lekkas was appointed as director.
- On 21 February 2020, Peter Hall resigned as director.

1.10 – Fourth Quarter

During the three months ended December 31, 2019, the Company recorded income of $1,782,228 (June 30, 2019 – $1,556,038), comprised of revenue from contracts of $1,764,839 (June 30, 2019 – $1,538,380), and interest of $17,389 (June 30, 2019 – $17,658). Revenue from contracts grew by 15% as a result of increased number of customers and increase volume per customer.

During the three months ended December 31, 2019, the Company incurred expenses of $1,666,557 (June 30, 2019 – $1,230,566). These expenses consisted of direct transaction costs and operating expenses. Direct transaction costs are the direct costs incurred to process their service contracts to earn revenue from contracts. Operating expenses are the costs to operate the other business activities of the Company.

During the three months ended December 31, 2019, the Company incurred direct transaction costs of $1,043,644 (June 30, 2019 – $908,144), related to the revenue from contracts and other revenue which resulted in gross profit of $721,195 (June 30, 2019 – $630,236). The gross profit margin was 40.9% (June 30, 2019 – 41.0%). The gross profit margin has been generally consistent the past two years.

During the three months ended December 31, 2019, the Company incurred operating expenses of $622,913 (June 30, 2019 – $322,422), consisting of consultancy fees of $223,657 (June 30, 2019 – $81,551), other expense of $107,338 (June 30, 2019 – $61,385), employee benefits expense of $109,228 (June 30, 2019 – $45,266), professional fees of $46,129 (June 30, 2019 – $29,950), IT and hosting costs of $20,198 (June 30, 2019 – $17,874), listing expenses of $102,497 (June 30, 2019 $41,556 and depreciation and amortisation expenses of $13,866 (June 30, 2019 – $44,840). Employee costs were higher due to two new employees being added. Consultancy fees increased due to more executive costs being incurred. Listing expenses recognises fees such as legal and advisory costs incurred in the company obtaining listing on the CSE. Professional fees increased due to the addition of two new directors. Other expenses were higher in the December quarter mainly due to increased audit costs, and newly incurred CSE-related costs.

1.11 – Proposed Transactions

The Company has no proposed transactions as at the date of this document.

1.12 – Critical Accounting Estimates

The Company has outlined the basis of its critical accounting estimates in Note 2 of the December 31, 2019 Financial Statements.

1.13 – Changes in Accounting Policies – International Financial Reporting Standards ("IFRS")

The group has applied all new and revised Australian Accounting Standards and Accounting Standards and Interpretations issued by IASB that apply to annual reporting periods beginning on or after 1 July 2019, including IFRS 16 *Leases* (IFRS 16), the equivalent of AASB 16 *Leases* in Australia.IFRS 16 replaces IAS 17 *Leases* (IAS 17), the equivalent of AASB 117 *Leases* in Australia, and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

(a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

i. investment property, the lessee applies the fair value model in IAS 40 *Investment Property*, the equivalent of AASB 140 *Investment Property* in Australia, the to the right-of-use asset; or
ii. property, plant or equipment, the applies the revaluation model in IAS 16 *Property, Plant and Equipment*, the equivalent of AASB 116 *Property, Plant and Equipment* in Australia, to all of the right-of-use assets that relate to that class of property, plant and equipment; and

(b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

IFRS 16 substantially carries forward the lessor accounting requirements of the predecessor standard, IAS 17. Accordingly, under IFRS 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under IAS 17.

The application of IFRS 16 did not have a material impact in these financial statements as the group only has one operating lease for its office premises which is on a month-to-month term (short-term lease).

1.14 – Financial Instruments and Other Instruments

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk
The Company's expenses are denominated in Australian dollars. The Company's corporate office and current operations are based in Australia and current exposure to exchange rate fluctuations is minimal. This will change if the Company expands its business outside of Australia.

(ii) Interest rate risk
The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) Credit risk
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with financial institution.

(iv) Liquidity risk

In the management of liquidity risk, the Company maintains a balance between continuity of funding and exploration activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

1.15 – Other MD&A Requirements

Share Capital

The authorized share capital consists Ordinary Shares without par value.

On September 5, 2019, the Company consolidated the ordinary shares on the basis of two old ordinary shares for one new ordinary share.

The total number of ordinary shares issued and outstanding as at December 31, 2019 was 7,863,956 and at the date of this report 7,918,706.

As at December 31, 2019, June 30, 2019 and at the date of this report there were no stock options outstanding.

As at December 31, 2019, June 30, 2019 and at the date of this report there were no warrants outstanding.

RISK FACTORS AND UNCERTAINTIES

The Company is in the business of electronic payment processing under contract. Due to the nature of the Company's business and the present stage of its activities, many risk factors will apply. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company may also impair the business operations.

No Market for the Ordinary Shares

There is no market through which the Ordinary Shares may be sold and there are no assurances that any market will develop in the future. This means that there is no central place, such as a stock exchange or stock quotation system, to resell the Ordinary Shares. This means that even if you locate a buyer and negotiate your own sale, you may still not be allowed to resell the Ordinary Shares or to pledge the Ordinary Shares as collateral for a loan. Accordingly, an investment in the Ordinary Shares should only be considered by investors who are able to bear the economic risk of a long-term investment and do not require liquidity.

Risk of No Return on Investment

There is no assurance that the business of the Issuer will continue to be operated successfully, or that the business will continue to generate sufficient or any income to meet its obligations. There is no assurance that an investment in the Ordinary Shares will earn a specified rate of return or any return over the life of the Issuer.

Dilution to the Company's Existing Shareholders

The Company will require additional equity financing to be raised in the future. The Company may issue securities at less than favorable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into Ordinary Shares would result in dilution, possibly substantial, to present and prospective holders of Ordinary Shares.

Uncertainty of Additional Financing

There are no assurances that the Issuer's future working capital will be adequate to execute its business plan or objectives as contemplated herein. The Issuer does not have any commitments to obtain additional financing and if required in future, there is no assurance that the Issuer will be able to arrange for such financing, or that such financing will be available on commercially reasonable terms. The failure to obtain such financing on a timely basis could have a material adverse effect on the Issuer. Equity financing and the additional issuance of equity securities will result in the substantial dilution to the Issuer's shareholders.

General Economic Conditions

The recent events in global financial markets have had a profound impact on the global economy. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability. These factors could have a material adverse effect on the Company's financial condition and results of operations.

RISK FACTORS AND UNCERTAINTIES (continued)

Share Price Volatility

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of our Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Reliance on the Directors and Officers and Other Key Personnel

The Issuer has a small management team and the unexpected loss of any of these individuals would have a serious impact on the business. Specifically, the Issuer is dependent upon the skills of the management team listed in items "*Directors and Executive Officers*" for the successful operation of its business. At present, there is no key-man insurance in place for any members of the management team. The loss of services of any of these personnel to develop the business and make appropriate decisions in respect of the management thereof could have a material adverse effect on the business of the Issuer. The Issuer also relies on consultants to carry out its business objectives and the unexpected loss of any of these consultants could have a serious impact on the business.

Conflicts of Interest

The directors and officers of the Issuer are not in any way limited or affected in their ability to carry on other transactions or business ventures for their own account or for the account of others, and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Issuer. Investment in the Issuer will not carry with it the right for either the Issuer or any subscriber to invest in any other property or venture of the directors and officers of the Issuer, or to any profit therefrom or to any interest therein. The directors and officers have a responsibility to identify and acquire suitable acquisition targets on behalf of the Issuer. To the extent that an opportunity arises to enter into such an agreement, the directors of the Issuer have the discretion to determine whether the Issuer will avail itself of the investment opportunity and, if it does not, any of the directors and officers of the Issuer shall be able to decide amongst themselves whether to pursue the opportunity for their respective accounts. If the investment opportunity did not arise solely from their activities on behalf of the Issuer, the directors and officers of the Issuer have no obligation to offer an investment opportunity to the Issuer. Future conflicts of interest will be dealt with in accordance with applicable laws, statutes and regulations.

Employee Recruitment Risk

The successful operation of SQID also relies on SQID's ability to attract and retain a small team of experienced employees with specialist skills, including relationship managers, qualified software developers, key programming staff, sales staff, operational staff and the management team. These persons possess intimate knowledge of the SQID technology through extensive experience applying the technology.

Although the SQID technology has been documented, the loss of these key personnel may adversely affect the Company's prospects of pursuing its development programs within timeframes expected in the industry. If the business expands and grows, failure to appropriately recruit and retain employees may adversely affect SQID's ability to develop and implement its business strategies.

RISK FACTORS AND UNCERTAINTIES (continued)

Relationship with Merchant Warrior

The agreements with Merchant Warrior is essential to the Company's operations and without them the Company cannot operate. The Company's payment processes services require acquirers like Merchant Warrior, which is a registered member of a card network such as Visa or MasterCard ("Network"). The Acquiring Bank accepts transactions on behalf of Network for a merchant. If the acquiring agreement were cancelled the Company would cease operations after 90 day unless it found a replacement bank registered to the card network. SQID is negotiating a replacement acquirer connection for Westpac which is expected before the finalisation of the Westpac relationship. Refer to "Description of the Business" for full details.

Relationships with Key Third Party Suppliers and Service Providers

SQID's business is dependent upon maintaining successful relationships with a limited number of key third-party suppliers and service providers, who provide a number of services that are key to SQID's service offering, including hosting, certain software applications, data providers and the provision of insurance. Contracts with these suppliers and service providers are typically terminable without cause, in some cases on short notice.

Any loss of a key third-party supplier or service provider, a material limitation of the services provided, a deterioration in the level of service provided, or a material alteration of the terms on which they are provided, could result in a disruption to its business and may negatively impact SQID's ability to win and retain contracts, each of which could materially adversely affect SQID's business, operating and financial performance.

Where SQID relies on third party systems, SQID always seek to have service level agreements with minimum performance criteria set. Payment to the service providers is dependent on their continuity of their services. SQID will actively seek alternative supply channels to mitigate the impact should there occur a "no fault" termination of a supply agreement. There is no assurance that SQID can always maintain or replace its third-party systems in a timely manner and prevent loss of service.

Loss of Customer Contracts

The Company's contracts, including with key customers, may generally be terminated without cause by a customer, in some cases on short notice. SQID could lose key customers or material contracts, due to a range of events including, because of failure to renew a contract, a loss of a tender, a deterioration in customer service levels or relationships, or disputes with customers. Any of these factors could materially adversely affect SQID's business, operating and financial performance.

SQID, like all service providers, must deliver services that continue to meet the needs of its customers. SQID is dependent on retaining in-house software development capability to ensure its business continues to evolve and service the needs of its customers. There is no assurance that it will be successful in recruiting and keeping the personnel required for delivery of its services.

Profit Margins

Margins vary considerably across the range of products and services that SQID provides and a change in the mix of products and services that SQID sells to its customers could have a material adverse impact on SQID's financial performance.

RISK FACTORS AND UNCERTAINTIES (continued)

Operational Risks

The Company will be affected by several operational risks against which it may not be adequately insured or for which insurance is not available, including: catastrophic accidents; fires; changes in the regulatory environment; impact of non-compliance with laws and regulations; labour disputes; natural phenomena such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's premises, personal injury or death, environmental damage, resulting in adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and future cash flows, earnings and financial condition. The Company may also be subject to or affected by liability or sustain loss risks and hazards against which it cannot insure or which it may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Technology Risk

The Company's products and services are dependent upon advanced technologies, which are susceptible to rapid technological change. There can be no assurance that the Company's products and services will not be seriously affected by, or become obsolete because of, such technological changes. There can be no assurance that the Company can respond in a timely manner so that its response will be adequate to successfully overcome the technological change.

Unforeseen Competition

There can be no assurance that significant competition will not enter the market and offer any number of similar services to those provided by the Company. Such competition could have a significant adverse effect on the growth potential of the Company's business by effectively dividing the existing market for such products and services.

Disruption of Technology Platforms

SQID's ability to provide reliable services, effective payment and transaction processing and accurate and timely reporting for its customers is a key aspect of it business. This depends on the efficient and uninterrupted operation of its core technologies, which include specialised and proprietary software systems, IT infrastructure and back-end data processing systems.

SQID's core technologies and other systems could be exposed to damage or interruption from systems failures, computer viruses, cyber-attacks or other events. Any systemic failure or sustained disruption to the effective operation of SQID's technology platform could severely damage SQID's reputation and its ability to generate new business or retain existing business, directly impair SQID's operations and customer service levels or necessitate increased expenditure on technology or generally across the business. Any of these outcomes could materially adversely affect SQID's business, operating and financial performance.

RISK FACTORS AND UNCERTAINTIES (continued)

Data Security Risks

The Company will utilize servers with significant amounts of data stored in via third party companies being AWS. Should the Company be responsible for the loss of any or all the data stored by it, the liability could materially undermine the financial stability of the Company. Also, much of the data stored will be confidential. The company does not store full card data. If the company's data is ever compromised, then customer card data will not be accessible to those in possession of the data. Anyone who can circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations.

Cybersecurity. SQID is subject to Australian Privacy legislation which includes the requirement to advise an entity if their identity has been compromised. SQID is also required to comply with the Payment Card Industry (PCI) standard, which sees us adhere to very strict rules in the use of the software and hardware we implement in our hosting environment. All our data is hosted remotely by Amazon Web Services (AWS), which also complies with the PCI standard. The Company relies on AWS cybersecurity arrangements. The Payment Card Industry Data Security Standard (PCI DSS) is a set of security standards designed to ensure that all companies that accept, process, store or transmit credit card information maintain a secure environment. The AWS/SQID secure environment incorporates firewalls, routing rules, authorized access only and encryption.

Internet Fraud. SQID has detailed merchant vetting / KYC procedures used to detect or mitigate fraud. Merchant accounts all have transaction limits, in line with the industry they are in, and all transactions are monitored and assigned a risk score. SQID also has transaction monitoring including the flagging of chargeback activity; SQID has the ability to withhold settlements pending an investigation into transactions. SQID also takes bonds from merchants as security in case the need to recover chargebacks arises. Bonds also act as a deterrent to fraudsters from even commencing the merchant onboarding process.

Money Laundering. This is a significant for all businesses. SQID is governed by the Australian Anti-Money Laundering legislation and is required to operate in a PCI (Payment Card Industry) compliant manner when dealing with credit card information and payments.

Management of Growth

The Company may experience a period of significant growth that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Increases in Competition

The payment processing industry is highly competitive and SQID may face increased competition from actions by existing competitors, the entry of new competitors, consolidation between existing competitors or from major customers bypassing payment processing and transactions switching companies and transacting directly with end customers.

SQID's competitive position may deteriorate because of these factors, or a failure by SQID to continue to position itself successfully to meet changing market conditions, customer demands and technology. Any material deterioration in SQID's competitive position could materially adversely affect SQID's business, operating and financial performance.

RISK FACTORS AND UNCERTAINTIES (continued)

Damage to Reputation or Brand

SQID's reputation and brand is important in winning and retaining contracts, maintaining its relationship with third-party suppliers and service providers and attracting employees. Reputational damage could arise due to a number of circumstances, including inadequate or deteriorating service levels, improper conduct, adverse media coverage or underperformance of customer-facing third-party suppliers and service providers. Reputational damage may potentially result in a failure to win new contracts and impinge on SQID's ability to maintain relationships with existing customers, suppliers and service providers and impede its ability to compete successfully in the payment transactions industry and to attract key employees. If any of these occur, this could materially adversely affect SQID's business, operating and financial performance.

The Company is proactive in dealing with these risks by regular reporting to customers about service levels, which allows the Company's representatives to be proactive in identifying and mitigating any service level deterioration. Regular systems maintenance is also important to ensure optimum services levels and minimum disruption to customers. There is no assurance that the Company's efforts to mitigate these risks will always be successful.

Exposure to Adverse Macroeconomic Conditions

SQID is exposed to changes in general economic conditions in Australia and internationally and is affected by macroeconomic conditions such as tariffs and other trade barriers, economic recessions, downturns or extended periods of uncertainty or volatility, which may influence customer decisions in relation to whether to enter into transaction processing arrangements. These macroeconomic conditions may materially adversely affect SQID's business, operating and financial performance. Payment transactions are the core of most commercial activity. Unless there is a catastrophic event, payment processing will occur.

Protection of Intellectual Property

SQID relies on laws relating to patents, trade secrets, copyright and trademarks to assist in protecting its proprietary customer-facing technology platform. There is a risk that unauthorized use and copying of SQID customer-facing technology platform will occur, or third parties will successfully challenge the validity, ownership or authorized use of intellectual property. This could involve significant expense and potentially the inability to use the intellectual property, which could materially adversely affect SQID's business, operating and financial performance. SQID does not currently have insurance for this possibility.

The Company is considering insurance (if available on economic terms) to fund possible future enforcement action against any potential infringer. There is no assurance that the Company's efforts to prevent unauthorized use or copying of its technology will always be successful.

Acquisition Risk and Associated Risk of Dilution

SQID's possible expansion strategy includes pursuing acquisitions. The successful implementation of acquisitions will depend on a range of factors including acquisition costs, funding arrangements, business cultural compatibility and operational integration. To the extent acquisitions are not successfully integrated with SQID's existing business, the financial performance of SQID could be materially adversely affected. Future acquisitions may involve the issue of Ordinary Shares for consideration. In this event, Shareholders' interests will be diluted. Ordinary Shares may also be issued for other purposes such as debt reduction. Effective due diligence by the Company is ongoing to minimize the risk in integrating acquisition targets although this cannot be guaranteed.

RISK FACTORS AND UNCERTAINTIES (continued)

Expansion of its Merchant Base and Industries Serviced

There is no assurance that the Company's plans to expand its Merchant Base and to expand the industry sectors in which it currently operates.

Credit Card Prepayment Risk

SQID Payments provides merchant services, under the Merchant *Westpac Agreement* with *Westpac* and under the *Merchant Warrior Agreement* with *Merchant Warrior*. SQID is at risk if merchants fail to deliver goods to their customers that were purchased using credit cards. SQID may be liable for charge backs from the card schemes or card issuing banks. Further if the number of charge backs in a given period is considered excessively high, SQID is at risk of incurring levy fines or even exclude SQID from participation in their networks.

SQID attempts to mitigate these risks by withholding the chargeback value from settlements to merchants and holds direct debit authority with merchants to recover unfunded charge backs. SQID may request security deposits from merchants at risk of prepayment default. SQID is also seeking insurance if this is available at economic rates.

Insurance Risk

SQID's only insurance is mandatory worker's compensation insurance. SQID does not currently hold insurances against the identified risks of its operations. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of SQID. There are uninsurable risks such as cardholder fraud, merchant fraud, merchant business failure and adverse regulatory changes.

Exchange Rate Risk

SQID currently operates in Australia. The Company is not exposed to significant currency risk on fluctuations considering that its assets and liabilities are stated in Australian dollar.

Unforeseen Expenses

All expenses that SQID is aware of are taken into account. There is a risk that unforeseen expenses may develop which could materially negatively affect the business operations.

Permits and Government Regulations

There are no permits or government regulations in Australia that affect the Company's operations beyond business license requirement and employment standards.

Environmental and Safety Regulations and Risks, Climate Change

There are currently no environmental laws and regulations affect the operations of the Company. None are anticipated as the Company's does not have physical operations other than business offices. SQID, like all other businesses and persons in the world is exposed to the effects of climate change. The direct effects on SQID's business is not foreseeable at this time.

APPROVAL

The Board of Directors of the Company approved the disclosure contained in this MD&A on March 12, 2020.