

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

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 the date of this report, 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*”.

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

1.1 – Date and Basis of Discussion & Analysis

This management discussion and analysis (“MD&A”) is dated August 30 2021 and should be read in conjunction with the unaudited financial statements of SQID Technologies Limited for the fiscal six months ended June 30, 2021 (“the Financial Statements”). 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

The continuing activities of the Group include:

- payment processing and investing and growing esports gaming. It continues to provide merchant services and transaction processing to business merchants and ecommerce customers across both Business to Business (B2B) and Business to Consumer (B2C) segments through its leading partner platform; and
- since 1 February 2021 upon gaining a controlling interest in ICON Esports Pty Ltd (ICON), investing and growing esports gaming interests.

Significant changes during the reporting period:

On 1 February 2021 the Group subscribed to 2,150,000 new shares issued by ICON Esports Pty Ltd (ICON) The Group has a controlling interest in ICON as it has 50% of the voting rights and the ICON board comprises a majority of parent entity directors. ICON is a leading Australia & New Zealand esports and gaming organisation, focussed on the commercial landscape of the Oceanic market through brand driven marketing campaigns and partnerships, nutrition supplements and merchandise to their esports and gaming audience. The Group paid ICON a cash consideration of \$2,150,000.

On 16 April 2021, the Group signed a new agreement with Merchant Warrior to provide a range of new payment solutions to its customers including the ability to offer ApplePay, GooglePay, BPAY and Electronic Funds Transfer. The Merchant Warrior agreement allows the Group the opportunity to build upon their payment solution offering whilst removing the need to maintain and develop its existing platform and legacy systems. Under the agreement the Group receives commission revenue based on payments processed on behalf of SQID clients.

1.3 – Selected Annual Information - N/A

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

1.4 – Results of Operations (Unaudited)

Following the acquisition of ICON Esports Pty Ltd (“ICON”) effective February 1, 2021, the consolidated operating results now comprise three operating segments:

- Payment Solutions (SQID Payments)
- Esports and Gaming (ICON), and
- Corporate asset management (investment results and parent entity costs)

The segmented operating results for the three months and six months ended June 30, 2021 are set in the tables below:

	Payment Solutions	Esports and Gaming **	Corporate Asset Management	Total
Consolidated - 3 months ended June 30, 2021	\$	\$	\$	\$
Sales to external customers	52,818	244,731	-	297,549
Government assistance (COVID-19)	4,000	-	-	4,000
Fair value losses on financial assets	-	-	(237,625)	(237,625)
Interest revenue	5	-	-	5
Total revenue	56,823	244,731	(237,625)	63,929
EBITDA	(251,652)	(509,557)	(363,319)	(1,124,528)
Depreciation and amortisation	-	(209,383)	-	(209,383)
Loss before income tax expense	(521,211)	(718,940)	(363,319)	(1,333,911)
Income tax expense				(121,442)
Loss after income tax expense				(1,455,353)
<u>Attributable to:</u>				
Non-controlling interests (NCI)				(359,470)
Owners of SQID Technologies Limited				(1,095,883)
Loss after income tax expense				(1,455,353)
Assets				
Segment assets	1,113,781	3,904,921	122,671	5,141,373
Liabilities				
Segment liabilities	1,165,327	486,358	62,775	1,714,460

*** Esports and Gaming results are from 1 February 2021, being the acquisition date.*

Payment Solution revenue is 97% lower than the same quarter last year and 67% lower than the March 2021 quarter. The decrease on prior year is attributable the cessation of services in November 2021 to a large customer group unable to meet the Payment Card Industry Data Security Standard (“PCI”) compliance levels. The decrease compared to the previous quarter is due to transaction revenue being replaced by a transaction commission following migration of the payments business to an external platform provided by Merchant Warrior. The migration to the external platform will substantially eliminate the unsustainable levels of Payment Solutions overhead and operating costs going forward. In July 2021, a new website www.sqidtechnologies.com was released which will help streamline the delivery of customer payment solutions which feed into the Merchant Warrior platform.

With revenues at \$244,731 from 1 February, the Esports and Gaming business is still developing and gaining momentum.

The Corporate Asset Management result is largely due to a \$357,621 loss booked against the Group's interest in the Canadian based Vello Technologies Inc. following it's unsuccessful application to list on the Canadian Securities Exchange (CSE). During the reporting period Vello Technologies Inc. acquired the Australian based Vello Technologies under a share swap agreement. The Vello loss was partially offset against realised gains on ASX listed securities acquired during the previous financial year.

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

The income tax expense relates to the reversal of a prior period deferred tax asset as the recovery of the underlying tax losses is not considered to be virtually certain.

The Non-Controlling Interests (NCI) relate to the non-SQID shareholders of Icon Esports Pty Ltd (Esports and Gaming segment).

Esports and Gaming segment assets at \$3,904,921 represent 76% of segment assets. The assets include intangible assets totalling \$2,122,786. The largest segment liability is Merchant bonds totalling \$1,094,061 within the Payment Solutions segment.

1.5 – Summary of Quarterly Results (Unaudited)

Consolidated Balance Sheet as at	30 Jun 21	31 Mar 21	31 Dec 20	30 Sep 20	30 Jun 20	31 Mar 20	31 Dec 19	30 Sep 19
Assets								
Current Assets								
Bank	2,181,923	1,091,144	2,998,162	4,620,126	4,075,760	1,597,145	1,678,713	3,445,576
Accounts Receivable	551,985	205,145	285,483	236,005	12,386	20,535	186,741	209,299
Other Current Assets	239,441	218,393	593,180	24,589	42,360	2,485,410	1,930,646	1,916,304
Total Current Assets	2,973,349	1,514,682	3,876,825	4,880,720	4,130,506	4,103,090	3,796,100	5,571,179
Non-Current Assets								
Fixed Assets	-	-	-	266	544	821	1,099	1,376
Intangible Assets	2,122,786	-	-	136,856	149,676	162,498	175,318	188,906
Security Bonds	-	50,000	50,000	236,963	236,940	236,917	236,874	50,000
Other Financial Assets	45,238	2,552,859	553,931	-	-	-	-	-
Deferred Tax Asset	-	121,442	121,442	446,485	504,625	499,751	583,825	559,697
Total Non-Current Assets	2,168,024	2,724,301	725,373	820,570	891,785	899,987	997,116	799,979
Total Assets	5,141,373	4,238,983	4,602,198	5,701,290	5,022,291	5,003,077	4,793,216	6,371,158
Liabilities								
Current Liabilities								
Accounts Payable	352,180	153,157	213,525	1,433,455	975,251	1,019,106	1,054,310	2,600,762
Unearned income	202,500	-	-	-	-	-	-	-
Other Liabilities	1,094,061	1,104,414	1,093,082	665,226	643,173	637,094	636,751	641,717
Other Payables	51,658	70,782	69,685	72,592	74,037	55,901	42,558	486,424
Total Current Liabilities	1,700,399	1,328,353	1,376,292	2,171,273	1,692,461	1,712,101	1,733,619	3,728,903
Non-Current Liabilities								
Other Payables	14,061	15,868	15,413	14,112	-	-	-	-
Total Non-Current Liabilities	14,061	15,868	15,413	14,112	-	-	-	-
Total Liabilities	1,714,460	1,344,221	1,391,705	2,185,385	1,692,461	1,712,101	1,733,619	3,728,903
Net Assets	3,426,913	2,894,762	3,210,493	3,515,905	3,329,830	3,290,976	3,059,597	2,642,255
Equity								
Share Capital	6,855,020	6,855,020	6,855,020	6,855,020	6,855,020	6,838,595	6,822,170	6,544,627
Options Reserves	45,639	45,639	45,639	-	-	-	-	-
Retained Earnings	(5,101,780)	(4,005,897)	(3,690,166)	(3,339,115)	(3,525,190)	(3,547,619)	(3,762,573)	(3,902,372)
Non controlling interests	1,628,034	-	-	-	-	-	-	-
Total Equity	3,426,913	2,894,762	3,210,493	3,515,905	3,329,830	3,290,976	3,059,597	2,642,255

- “Other Financial Assets” contains the investments:
 - Vello Pty Ltd, 11% holding acquired 2 October 2020
 - ICON Esports Pty Ltd, 50% controlling interest acquired 1 February, 2021: \$2,150,000. This amount was eliminated in the June 2021 quarter upon completion of business combination accounting which gave rise to intangibles totalling \$1,846,284.

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

1.5 – Summary of Quarterly Results (Unaudited) (continued)

Profit & Loss Quarters ended	30 Jun 21	31 Mar 21	31 Dec 20	30 Sep 20	30 Jun 20	31 Mar 20	31 Dec 19	30 Sep 19
Revenue								
Revenue from contracts with customers	297,549	158,997	1,213,568	2,047,333	1,868,600	2,069,179	1,764,839	1,692,648
	297,549	158,997	1,213,568	2,047,333	1,868,600	2,069,179	1,764,839	1,692,648
Direct Costs	590,957	68,269	700,285	1,212,895	1,151,273	1,254,666	1,043,644	1,004,984
Gross Profit	(293,408)	90,728	513,283	834,438	717,327	814,513	721,195	687,664
	-98.6%	57.1%	42.3%	40.8%	38.4%	39.4%	40.9%	40.6%
Interest Income	5	9	24	24	11,160	11,160	17,389	26,613
Government assistance_COVID-19	4,000	8,000	38,618	32,793	28,589	-	-	-
Other income	-	-	12,294	-	-	-	-	-
Fair value gains /losses	(237,625)	65,825	265,072	-	-	-	-	-
Expenses								
Employee Benefits	213,859	57,912	135,162	121,190	159,957	120,898	109,228	109,918
Depreciation & Amortisation	209,383	-	137,122	13,098	13,100	19,062	13,866	19,006
Consultancy Fees	125,870	137,799	134,296	136,237	136,441	150,240	125,142	131,230
Director Fees	16,667	30,000	30,000	30,000	30,000	33,333	46,129	24,301
Professional Fees	148,947	94,624	248,820	268,436	268,868	145,552	43,907	40,093
Listing Expenses	26,350	-	-	-	-	11,765	102,497	269,003
IT & Hosting Costs	88,825	71,051	43,072	20,008	32,556	19,621	20,198	19,465
Other Expenses	(23,018)	88,907	126,828	34,071	86,241	38,531	161,946	23,564
Total Expenses	806,883	480,293	855,300	623,040	727,163	539,002	622,913	636,580
Profit / (loss) before Tax	(1,333,911)	(315,731)	(26,009)	244,215	29,913	286,671	115,671	77,697
Income Tax	121,442	-	325,042	58,141	7,483	71,717	(24,128)	21,367
Profit / (loss) after Tax	(1,455,353)	(315,731)	(351,051)	186,074	22,430	214,954	139,799	56,330
Non-controlling interests	(359,470)	-	-	-	-	-	-	-
Loss for SQID owners	(1,095,883)	(315,731)	(351,051)	186,074	22,430	214,954	139,799	56,330
Basic & Diluted Earnings per Share	(0.14)	(0.04)	(0.04)	0.02	0.00	0.03	0.02	0.01
Weighted Average Ordinary Shares	7,973,456	7,973,456	7,947,876	7,973,456	7,928,934	7,892,835	8,211,272	8,237,676

1.6 – Liquidity and Capital Resources

The Company's sole source of funding in the past three years has been from profitable operations. Additional financing may be required to grow the business interests of the Company. 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.

As at June 30, 2021, the Company had cash and cash equivalents on hand of \$2,181,923. (2020: \$2,998,162).

Total equity as at June 30, 2021 was \$3,426,913 (2020: \$3,210,493). Equity attributable to owners of SQID Technologies Limited was \$1,798,879 (2020: \$3,210,493) and the decrease is due to operating losses.

1.7 – Capital Resources – N/A

1.8 – Off Balance Sheet Arrangements

As at June 30, 2021, there were no off-balance sheet arrangements to which the Company was committed.

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

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 three months ended June 30, 2021 and June 30, 2020 and outstanding payables as at March 31, 2021 and December 31, 2020:

Transactions	June 30, 2021	June 30, 2020
Consultancy Fees⁽¹⁾		
Peter Hall – former CEO & Chair	-	-
Athan Lekkas – CEO & Chair	60,000	50,000
Lee Horobin - CFO	14,732	41,441
Robyn Gunnis - COO	51,138	45,000
Director Fees⁽¹⁾		
Andrew Sterling - Director	10,000	10,000
John O'Connor - Director	-	10,000
Michael Clarke - Director	10,000	10,000
Other Expenses		
John O'Connor – Consultancy ⁽³⁾	-	30,000
Shape Capital Pty Ltd – Consultancy ⁽⁴⁾	30,000	30,000
Balances – Accounts Payable		
Athan Lekkas	22,000	20,230
Andrew Sterling	3,333	3,333
John O'Connor	-	25,666
Michael Clarke	3,666	3,666
Lee Horobin	3,828	15,791
Robyn Gunnis	23,252	22,000
Sigrist Design Pty Ltd ⁽²⁾	-	2,750
Shape Capital Pty Ltd	11,000	

⁽¹⁾ All executives and directors invoice SQID for their services monthly in arrears. The invoices are paid in full in the following month.

⁽²⁾ Former 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 and ceased March 2020.

⁽³⁾ John O'Connor had a consulting contract to the board spanning February 2020 – February 2021 for to provide advisory services around KPIs, revenue targets, financial analysis, technology and staffing.

⁽⁴⁾ Shape Capital Pty Ltd had a six-month consulting contract to the board spanning May – October 2020 for \$60,000 to provide corporate advisory services. The CEO of Shape Capital Pty Ltd is Anoosh Manzoori, who is also CEO / Chair of SQID's largest shareholder, First Growth Funds Limited. In November 2020, this agreement was extended on a month-to-month basis as required.

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

1.10 Subsequent Events

1. On July 7, 2021 – SQID Technologies Limited (CSE: SQID) announced that Company Secretary, Mr Mark Pryn had replaced Mr Lee Horobin as Chief Financial Officer effective July 7, 2021. Mr Pryn is now Company Secretary and Chief Financial Officer.
2. On 13 July 2021 Vello Technologies Inc (an investee company) agreed to unwind a share swap agreement which will result in the cancellation of 20 million shares and effectively return the ownership of Vello Technologies Pty Ltd back to the Australian shareholders. The cancellation of the shares will result in the Group holding a greater than 20% interest in Vello Technologies Inc and thereby in a position to exert significant influence which will require the Group to equity account its Vello related interests in subsequent reporting periods.
3. On 13 August 2021, 200,000 options issued to third parties lapsed. The options were granted on 13 August 2020 with an exercise price of \$0.80. The Group now has no outstanding options on issue.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

1.11– Fourth Quarter – N/A

1.12 – Proposed Transactions

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

1.13 – Critical Accounting Estimates

The Company has.

In addition, to the basis of its critical accounting estimates outlined in Note 2 of the December 31, 2020 Financial Statements, the company notes the following new areas:

- (a) Business Combination Accounting.

The accounting for the new controlled entity Icon Esports Pty Ltd involved significant estimates and assumptions in order to determine the carrying value of identifiable and unidentifiable intangibles (goodwill).

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

Nil report.

1.14 – Financial Instruments and Other Instruments

The Company's financial instruments include cash, accounts receivable, equity investments, 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

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

1.14 – Financial Instruments and Other Instruments (cont'd)

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.

The total number of ordinary shares issued and outstanding as at the date of this report was 7,973,456.

On August 13 2020, the Company issued 200,000 options with an exercise price of C\$0.80 per share with a 12-month term. These options lapsed on 13 August 2021.

As at June 30, 2021 and as at the date of this report there were no warrants outstanding.

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

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.

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 may 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.

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

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

RISK FACTORS AND UNCERTAINTIES (continued)

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's Payment Solutions and Esport and Gaming segments relies on SQID's ability to attract and retain a small team of experienced employees with specialist skills, including relationship managers, sales staff, operational staff and the management team.

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.

Relationship with Merchant Warrior

The agreements with Merchant Warrior are essential to the Company's Payment Solution operations. MW provides an outsourced payments processing platform for SQID customers.

Relationships with Key Third Party Suppliers and Service Providers

SQID's Payment Solution and Esport and Gaming business segments are 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 offerings.

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.

RISK FACTORS AND UNCERTAINTIES (continued)

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.

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.

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 its business. This depends on the efficient and uninterrupted operation of its now external payments processing platform provided by Merchant Warrior.

Merchant Warrior's (MW) 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 MW'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

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

RISK FACTORS AND UNCERTAINTIES (continued)

expenditure on technology or generally across the business. Any of these outcomes could materially adversely affect SQID's business, operating and financial performance.

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.

Internet Fraud. MW 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. MW also has transaction monitoring including the flagging of chargeback activity; SQID has the ability to withhold settlements pending an investigation into transactions. MW 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 risk for all businesses. MW 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.

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

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

RISK FACTORS AND UNCERTAINTIES (continued)

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.

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.

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.

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended June 30, 2021

RISK FACTORS AND UNCERTAINTIES (continued)

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 August 30 2021.