

**SQID TECHNOLOGIES LIMITED**  
**Management Discussion and Analysis**  
**For the three months ended 31 March 2022**

**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*”.

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**1.1 – Date and Basis of Discussion & Analysis**

This management discussion and analysis (“MD&A”) is dated 10 May 2022 and should be read in conjunction with the audited financial statements of SQID Technologies Limited for the fiscal twelve months ended 31 December 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
- investing and growing esports gaming interests via its wholly owned subsidiary; ICON Esports Pty Ltd (ICON).

Significant changes during the reporting period:

Nil.

**1.3 – Selected Annual Information**

Not applicable for interim reporting.

**1.4 – Results of Operations**

The net loss for the period was \$379,147 (31 March 2021: \$315,731).

Material items include:

- SQID payment solutions
  - Revenue \$31,627 (31 March 2021: \$158,997),
  - EBITDA \$13,801 (31 March 2021: \$315,731 loss),

In April 2021 payment processing was outsourced. The prior period comparative covers the run-off period of prior to outsourcing.

ICON esports & gaming\*\*

- Revenue \$233,175 (31 March 2021: Nil),
- EBITDA loss \$172,510 (31 March 2021: Nil),
- Corporate asset management EBITDA loss \$160,438 (31 March 2021: Nil), \*\* and
- Depreciation and amortisation charges of \$60,000 (31 March 2021: Nil).

The amortisation charge for the current period relates to intangibles recognised upon the acquisition of ICON Esports Pty Ltd which are now fully amortised or impaired.

*\*\* There are no ICON esports & gaming comparatives as the Group commenced consolidated and segmented reporting in Q2 2021.*

Net cash outflows from operating activities were \$421,556 (31 March 2021: \$391,406)

During the period the Group invested \$300,220 as follows:

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- On 2 February 2022, MSM Corporation International Limited (MSM) issued the Group 4,260,000 fully paid ordinary shares and 1,065,000 options expiring on 31 December 2024 with an exercise price of \$0.0470 under a share placement with a total investment of \$200,220, and
- On 24 March 2022, the Group announced that it had signed a collaboration agreement with tagSpace Pty Ltd (tagSpace). As part of this agreement both SQID and tagSpace will collectively look at opportunities to expand and capitalise on opportunities in “E-sports” market segments. As part of signing this agreement SQID invested \$100,000 in a cryptocurrency ITO undertaken by tagSpace.

Cash at the end of the reporting period was \$1,084,243 (31 December 2021: \$1,806,019)

**1.5 – Summary of Quarterly Results**

Consolidated Balance Sheet as at	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20	30 Sep 20	30 Jun 20
<b>Assets</b>								
<b>Current Assets</b>								
Bank	1,084,243	1,806,019	2,017,549	2,171,363	1,091,144	2,998,162	4,620,126	4,075,760
Accounts Receivable	133,454	149,760	346,064	538,825	205,145	285,483	236,005	12,386
Inventories	57,557	67,557	-	-	-	-	-	-
Other Current Assets	18,224	65,693	239,445	239,441	218,393	593,180	24,589	42,360
<b>Total Current Assets</b>	<b>1,293,478</b>	<b>2,089,029</b>	<b>2,603,058</b>	<b>2,949,629</b>	<b>1,514,682</b>	<b>3,876,825</b>	<b>4,880,720</b>	<b>4,130,506</b>
<b>Non-Current Assets</b>								
Fixed Assets	-	-	-	-	-	-	266	544
Intangible Assets	-	60,000	966,291	1,076,903	-	-	136,856	149,676
Security Bonds	-	-	-	-	50,000	50,000	236,963	236,940
Other Financial Assets	300,220	-	45,238	45,238	2,552,859	553,931	-	-
Deferred Tax Asset	-	-	-	-	121,442	121,442	446,485	504,625
<b>Total Non-Current Assets</b>	<b>300,220</b>	<b>60,000</b>	<b>1,011,529</b>	<b>1,122,141</b>	<b>2,724,301</b>	<b>725,373</b>	<b>820,570</b>	<b>891,785</b>
<b>Total Assets</b>	<b>1,593,698</b>	<b>2,149,029</b>	<b>3,614,587</b>	<b>4,071,770</b>	<b>4,238,983</b>	<b>4,602,198</b>	<b>5,701,290</b>	<b>5,022,291</b>
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts Payable	316,451	400,135	357,936	363,391	153,157	213,525	1,433,455	975,251
Contract liabilities	25,000	117,500	202,500	235,000	-	-	-	-
Merchant liabilities	18,374	18,374	1,089,061	1,094,061	1,104,414	1,093,082	665,226	643,173
Employee provisions	69,165	69,165	51,658	51,658	70,782	69,685	72,592	74,037
<b>Total Current Liabilities</b>	<b>428,990</b>	<b>605,174</b>	<b>1,701,155</b>	<b>1,744,110</b>	<b>1,328,353</b>	<b>1,376,292</b>	<b>2,171,273</b>	<b>1,692,461</b>
<b>Non-Current Liabilities</b>								
Employee provisions	18,082	18,082	14,061	14,061	15,868	15,413	14,112	-
<b>Total Non-Current Liabilities</b>	<b>18,082</b>	<b>18,082</b>	<b>14,061</b>	<b>14,061</b>	<b>15,868</b>	<b>15,413</b>	<b>14,112</b>	<b>-</b>
<b>Total Liabilities</b>	<b>447,072</b>	<b>623,256</b>	<b>1,715,216</b>	<b>1,758,171</b>	<b>1,344,221</b>	<b>1,391,705</b>	<b>2,185,385</b>	<b>1,692,461</b>
<b>Net Assets</b>	<b>1,146,626</b>	<b>1,525,773</b>	<b>1,899,371</b>	<b>2,313,599</b>	<b>2,894,762</b>	<b>3,210,493</b>	<b>3,515,905</b>	<b>3,329,830</b>
<b>Equity</b>								
Share Capital	8,824,267	8,824,267	6,855,020	6,855,020	6,855,020	6,855,020	6,855,020	6,855,020
Reserves	(532,105)	(532,105)	-	45,639	45,639	45,639	-	-
Retained Earnings	(7,145,536)	(6,766,389)	(5,516,373)	(5,212,556)	(4,005,897)	(3,690,166)	(3,339,115)	(3,525,190)
Non controlling interests	-	-	560,724	625,496	-	-	-	-
<b>Total Equity</b>	<b>1,146,626</b>	<b>1,525,773</b>	<b>1,899,371</b>	<b>2,313,599</b>	<b>2,894,762</b>	<b>3,210,493</b>	<b>3,515,905</b>	<b>3,329,830</b>

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

<b>Profit &amp; Loss Quarters ended</b>	<b>31 Mar 22</b>	<b>31 Dec 21</b>	<b>30 Sep 21</b>	<b>30 Jun 21</b>	<b>31 Mar 21</b>	<b>31 Dec 20</b>	<b>30 Sep 20</b>	<b>30 Jun 20</b>
<b>Revenue</b>								
Revenue from contracts with customers	264,802	285,988	289,035	281,449	158,997	1,213,568	2,047,333	1,868,600
	<b>264,802</b>	<b>285,988</b>	<b>289,035</b>	<b>281,449</b>	<b>158,997</b>	<b>1,213,568</b>	<b>2,047,333</b>	<b>1,868,600</b>
Direct Costs	209,020	136,877	175,422	461,824	68,269	700,285	1,212,895	1,151,273
<b>Gross Profit</b>	<b>55,782</b>	<b>149,111</b>	<b>113,613</b>	<b>(180,375)</b>	<b>90,728</b>	<b>513,283</b>	<b>834,438</b>	<b>717,327</b>
	<b>21.1%</b>	<b>52.1%</b>	<b>39.3%</b>	<b>-64.1%</b>	<b>57.1%</b>	<b>42.3%</b>	<b>40.8%</b>	<b>38.4%</b>
Interest Income	4	25	45	5	9	24	24	11,160
Government assistance_COVID-19	-	-	-	4,000	8,000	38,618	32,793	28,589
Other income	-	-	-	-	-	12,294	-	-
Fair value gains /losses	-	(45,238)	-	(237,625)	65,825	265,072	-	-
Impairment losses	-	(752,074)	-	-	-	(124,156)	-	-
<b>Expenses</b>								
Employee Benefits	119,075	142,264	124,827	155,523	57,912	135,162	121,190	159,957
Depreciation & Amortisation	60,000	166,717	110,612	224,401	-	12,966	13,098	13,100
Consultancy Fees	124,793	-	40,000	254,870	137,799	134,296	136,237	136,441
Director Fees	20,000	20,000	20,000	16,667	30,000	30,000	30,000	30,000
Professional Fees	39,950	231,471	158,393	146,148	94,624	248,820	268,436	268,868
Listing Expenses	7,471	5,677	(321)	36,495	-	-	-	-
IT & Hosting Costs	5,454	8,890	37,878	89,084	71,051	43,072	20,008	32,556
Other Expenses	58,190	38,101	36,497	(28,766)	88,907	126,828	34,071	86,241
<b>Total Expenses</b>	<b>434,933</b>	<b>613,120</b>	<b>527,886</b>	<b>894,422</b>	<b>480,293</b>	<b>731,144</b>	<b>623,040</b>	<b>727,163</b>
<b>Profit / (loss) before Tax</b>	<b>(379,147)</b>	<b>(1,261,296)</b>	<b>(414,228)</b>	<b>(1,308,417)</b>	<b>(315,731)</b>	<b>(26,009)</b>	<b>244,215</b>	<b>29,913</b>
Income Tax	-	-	-	121,442	-	325,042	58,141	7,483
<b>Profit / (loss) after Tax</b>	<b>(379,147)</b>	<b>(1,261,296)</b>	<b>(414,228)</b>	<b>(1,429,859)</b>	<b>(315,731)</b>	<b>(351,051)</b>	<b>186,074</b>	<b>22,430</b>
Non-controlling interests	-	11,280	64,772	223,200	-	-	-	-
<b>Loss for SQID owners</b>	<b>(379,147)</b>	<b>(1,250,016)</b>	<b>(349,456)</b>	<b>(1,206,659)</b>	<b>(315,731)</b>	<b>(351,051)</b>	<b>186,074</b>	<b>22,430</b>
Basic & Diluted Earnings per Share	(0.03)	(0.11)	(0.04)	(0.152)	(0.04)	(0.04)	0.02	0.00
Weighted Average Ordinary Shares	14,416,827	11,820,792	7,973,456	7,947,876	7,973,456	7,928,934	7,892,835	8,211,272

**1.6 – Liquidity and Capital Resources**

The statement of financial position shows total equity of \$1,146,626 (31 December 2021: \$1,525,773). The decrease during the period is attributed to the loss incurred.

Current assets at \$1,293,478 (31 December 2021: \$2,089,029) include cash balances \$1,084,243 (31 December 2021: \$1,806,019). Non-current assets at \$300,220 (31 December 2021: \$60,000) relate to the new investments made during the period as described above.

Current liabilities at \$428,990 (31 December 2021: \$605,174) include merchant liabilities \$18,374 (31 December 2021: \$18,374) and contract liabilities \$25,000 (31 December 2021: \$117,500). Non-current liabilities at \$18,082 (31 December 2021: \$18,082) relate to employee provisions.

**1.7 – Capital Resources – N/A**

**1.8 – Off Balance Sheet Arrangements**

As at 31 March 2022, there were no off-balance sheet arrangements to which the Company was committed.

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**1.9 – Transactions with Related Parties**

The Company had the following balances and transactions with key management personnel (directors and executive officers), or companies controlled by these persons and other related parties for the three months ended 31 March 2022 and 31 March 2021 and outstanding payables as at 31 March 2022 and 31 December 2021:

<b>Transactions</b>	<b>31 Mar 2022</b>	<b>31 Mar 2021</b>
<b>Executive remuneration</b>		
Nick Bobir – CEO- Icon Esports Pty Ltd - (short term, post-employment and long term employee benefits)	27,500	-
<b>Sqid Technologies Limited - non-executive director fees <sup>(1)</sup></b>		
Andrew Sterling	10,000	10,000
Michael Clarke	10,000	10,000
John O'Connor - (former Director) <sup>(3)</sup>	-	10,000
<b>Other key management personnel short term benefits <sup>(1)</sup></b>		
Athan Lekkas – CEO & Chair	60,000	60,000
Mark Pryn (Baudin Consulting Pty Ltd) – CFO <sup>(5)</sup>	15,793	-
Ben Dixon <sup>(6)</sup>	9,000	-
Michael Clarke <sup>(7)</sup>	-	-
Peter Hall – former – CEO & Chair	-	-
Lee Horobin – former CFO	47,531	32,799
Robyn Gunnis – former COO	96,138	45,000
<b>Other related party transactions</b>		
Shape Capital Pty Ltd - Consultancy <sup>(4)</sup>	30,000	390,000
Dixon Family Trust - Consultancy <sup>(6)</sup>	10,000	
John O'Connor – (former Director) <sup>(3)</sup>	-	10,000
<b>Balances – Accounts Payable</b>	<b>31 Mar 2022</b>	<b>31 Dec 2021</b>
Athan Lekkas	22,000	22,000
Andrew Sterling	3,333	3,333
Michael Clarke	27,667	27,666
Mark Pryn (Baudin Consulting Pty Ltd)	8,461	13,391
Shape Capital Pty Ltd	11,000	11,000
Ben Dixon	6,967	3,000

<sup>(1)</sup> All non-employee key management personnel (executives and directors) invoice for their services monthly in arrears. The invoices are paid in full in the following month.

<sup>(2)</sup> Not used

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

<sup>(4)</sup> Shape Capital Pty Ltd (“Shape”) is a related entity of Anoosh Manzoori, who is also CEO / Chair of SQID’s largest shareholder, First Growth Funds Limited. Shape is contracted to provide professional and advisory services to the parent entity board for a fee of \$10,000 per month on a month by month basis.

<sup>(5)</sup> Mark Pryn was appointed CFO and Company Secretary in July 2021, following the resignation of Lee Horobin at the same time.

<sup>(6)</sup> Ben Dixon is a director of Icon Esports Pty Ltd and received consulting fees via The Trustee for the Dixon Family Trust and Kribe Consulting.

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<sup>(7)</sup> Michael Clarke is a director Sqid Technologies Ltd and Icon Esports Pty Ltd and received consulting fees via Malvern Corporation Pty Ltd and Sparke Enterprises Pty Ltd.

**1.10 Subsequent Events**

No matter or circumstance has arisen since 31 March 2022 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 (Q4)**

Not required for interim reports

**1.12 – Proposed Transactions**

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

**1.13(a) – Critical Accounting Estimates**

Refer to Note 2 to the 2021 Annual Financial Report.

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

Nil. Refer to Note 1 to the 2021 Annual Financial Report.

**1.14 (a) Fair value measurement**

Refer to Note 8 to the Interim Financial Report.

**1.14 (b) – Financial Instruments and Other Instruments**

Refer to Note 7 to the Interim Financial Report.

**1.15 – Other MD&A Requirements**

**Share Capital**

Refer to Note 6 to the Interim Financial Report.

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**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.

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**RISK FACTORS AND UNCERTAINTIES (continued)**

**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’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.

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**RISK FACTORS AND UNCERTAINTIES (continued)**

**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.

**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.

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**RISK FACTORS AND UNCERTAINTIES (continued)**

**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

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.

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**RISK FACTORS AND UNCERTAINTIES (continued)**

**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

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.

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**RISK FACTORS AND UNCERTAINTIES (continued)**

**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 businesses are not foreseeable at this time.

**APPROVAL**

The Board of Directors of the Company approved the disclosure contained in this MD&A on 10 May 2022.