

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended 31 March 2023

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 30 May 2023 and should be read in conjunction with the audited financial statements of SQID Technologies Limited for the fiscal twelve months ended 31 December 2022 (“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
- growing its esports gaming interests.

There were no significant changes during the reporting period

1.3 – Selected Annual Information – not applicable

1.4 – Results of Operations

Results by segment for the three months (quarter) to date compared to the previous corresponding period (pcp)

Segment results for the 3 months to Mar 2023	Revenue	Revenue	Result	Result
	2023	2022	2023	2022
	\$	\$	\$	\$
Payment solutions	51,520	31,627	36,810	13,801
Esports and gaming	85,677	233,175	(137,833)	(172,510)
Corporate asset management	1	4	(132,390)	(160,438)
Total	137,198	264,806	(233,413)	(319,147)
Less depreciation and amortisation				(60,000)
Less Impairment losses				
Less finance costs			(481)	
Group profit before tax			(233,894)	(379,147)

The 1Q loss was lower compared to pcp despite lower Esports and Gaming revenue.

Net cash used in operating activities for 1Q was \$265,213 (pcp: \$421,556).

There were no new investing or financing activities during the quarter.

The cash balance as at 31 March 2023 was \$85,343 (31 December 2022: \$356,113).

Net assets as at 31 March 2023 were \$79,235 (31 December 2022: \$313,129).

The Board continues to focus on cost management and continue to assess asset realisation opportunities.

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1.5 – Summary of Quarterly Results

Consolidated Balance Sheet as at	31 Mar 23	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21	30 Sep 21
Assets							
Current Assets							
Bank	85,343	356,113	476,751	796,315	1,084,243	1,806,019	2,017,549
Accounts Receivable	238,470	230,699	255,037	93,990	133,454	149,760	346,064
Inventories	-	-	-	-	57,557	67,557	-
Other Current Assets	16,507	20,758	9,211	9,211	18,224	65,693	239,445
Total Current Assets	340,320	607,570	740,999	899,516	1,293,478	2,089,029	2,603,058
Non-Current Assets							
Fixed Assets	-	-	-	-	-	-	-
Investments accounted for using the e	-	-	-	-	-	-	-
Intangible Assets	-	-	100,000	100,000	-	60,000	966,291
Security Bonds	-	-	-	-	-	-	-
Other Financial Assets	200,220	200,220	200,220	200,220	300,220	-	45,238
Deferred Tax Asset	-	-	-	-	-	-	-
Total Non-Current Assets	200,220	200,220	300,220	300,220	300,220	60,000	1,011,529
Total Assets	540,540	807,790	1,041,219	1,199,736	1,593,698	2,149,029	3,614,587
Liabilities							
Current Liabilities							
Accounts Payable	328,103	346,395	276,836	256,806	316,451	400,135	357,936
Contract liabilities	-	9,507	36,000	-	25,000	117,500	202,500
Merchant liabilities	18,374	18,374	18,374	18,374	18,374	18,374	1,089,061
Employee provisions	97,119	102,676	87,154	87,154	69,165	69,165	51,658
Total Current Liabilities	443,596	476,952	418,364	362,334	428,990	605,174	1,701,155
Non-Current Liabilities							
Employee provisions	17,709	17,709	22,378	22,378	18,082	18,082	14,061
Total Non-Current Liabilities	17,709	17,709	22,378	22,378	18,082	18,082	14,061
Total Liabilities	461,305	494,661	440,742	384,712	447,072	623,256	1,715,216
Net Assets	79,235	313,129	600,477	815,024	1,146,626	1,525,773	1,899,371
Equity							
Share Capital	8,824,267	8,824,267	8,824,267	8,824,267	8,824,267	8,824,267	6,855,020
Reserves	(532,105)	(532,105)	(532,105)	(532,105)	(532,105)	(532,105)	-
Retained Earnings	(8,212,927)	(7,979,033)	(7,691,685)	(7,477,138)	(7,145,536)	(6,766,389)	(5,516,373)
Non controlling interests	-	-	-	-	-	-	560,724
Total Equity	79,235	313,129	600,477	815,024	1,146,626	1,525,773	1,899,371

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1.5 – Summary of Quarterly Results (continued)

Profit & Loss Quarters ended	31 Mar 23	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21	30 Sep 21
Revenue							
Revenue from contracts with customers	137,197	443,853	360,508	141,136	264,802	285,988	289,035
	137,197	443,853	360,508	141,136	264,802	285,988	289,035
Direct Costs	67,606	253,977	181,213	191,918	209,020	136,877	175,422
Gross Profit	69,591	189,876	179,295	(50,782)	55,782	149,111	113,613
	50.7%	42.8%	49.7%	-36.0%	21.1%	52.1%	39.3%
Interest Income	1	1	2	3	4	25	45
Government assistance_(inc R&D)	-	-	-	129,208	-	-	-
Share of profits of associates account	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Fair value gains /losses	-	-	-	-	-	(45,238)	-
Impairment losses	-	(100,000)	-	-	-	(752,074)	-
Expenses							
Employee Benefits	118,971	129,874	122,044	141,359	119,075	142,264	124,827
Depreciation & Amortisation	-	-	-	-	60,000	166,717	110,612
Consultancy Fees	127,500	128,228	127,500	106,044	124,793	-	40,000
Director Fees	10,000	13,333	10,000	20,000	20,000	20,000	20,000
Professional Fees	20,864	53,535	639	39,665	39,950	231,471	158,393
Listing Expenses	7,206	3,839	3,128	15,611	7,471	5,677	(321)
IT & Hosting Costs	4,623	4,813	4,023	5,447	5,454	8,890	37,878
Other Expenses	13,841	43,132	126,510	81,905	58,190	38,101	36,497
Finance costs	481	471	-	-	-	-	-
Total Expenses	303,486	377,225	393,844	410,031	434,933	613,120	527,886
Profit / (loss) before Tax	(233,894)	(287,348)	(214,547)	(331,602)	(379,147)	(1,261,296)	(414,228)
Income Tax	-	-	-	-	-	-	-
Profit / (loss) after Tax	(233,894)	(287,348)	(214,547)	(331,602)	(379,147)	(1,261,296)	(414,228)
Non-controlling interests	-	-	-	-	-	11,280	64,772
Loss for SQID owners	(233,894)	(287,348)	(214,547)	(331,602)	(379,147)	(1,250,016)	(349,456)
Basic & Diluted Earnings per Share	(0.02)	(0.02)	(0.02)	(0.03)	(0.05)	(0.16)	(0.05)

1.6 – Liquidity and Capital Resources

The financial statements have been prepared on a going concern basis.

For the period ended 31 March 2023, the Group recorded revenue from contracts with customers of \$137,197 (2022: \$264,802) incurred a net loss of \$233,894 (2022: \$379,147) and had operating cash outflows of \$264,733 (2022: \$421,560 inflows). As at 31 March 2023 the Group had a net working capital deficiency of \$103,276 (2022:\$130,618 surplus) and net tangible assets of \$79,235 (31 December 2022: \$313,129).

Based on current operating cash flow projections, the Directors anticipate the need to raise further capital, or realise assets, within the coming 12 month period in order to continue to meet its ongoing commitments as and when they fall due. These factors combined constitute a material uncertainty which may cast doubt about the Group's ability to continue as a going concern. The Directors have concluded that the going concern basis of accounting remains appropriate, noting the following:

- as a listed entity, the Company has access to capital market funding options,
- the Company has engaged Shape Capital Pty Ltd to raise up to \$1.5m working capital funding, and
- the Company continues to assess asset realisation options.

Should the group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. No adjustments have been made to the financial report relating to the recoverability and classification of the carrying amounts of assets or the amount and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

1.7 – Capital Resources – N/A

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1.8 – Off Balance Sheet Arrangements

As at 31 March 2023, 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 key management personnel (directors and executive officers), or companies controlled by these persons and other related parties for the year months ended 31 March 2023 and 31 March 2022 and outstanding payables as at 31 March 2023 and 31 December 2022:

Transactions	31 Mar 2023	31 Mar 2022
Executive remuneration		
Nick Bobir – CEO- Icon Esports Pty Ltd - (short term, post-employment and long term employee benefits)	27,625	27,500
Sqid Technologies Limited - non-executive director remuneration ⁽¹⁾		
Andrew Sterling	10,000	10,000
Michael Clarke	10,000	10,000
Other key management personnel short term benefits ⁽¹⁾		
Athan Lekkas – CEO & Chair	60,000	60,000
Mark Pryn (Baudin Consulting Pty Ltd) – CFO	12,500	12,500
Ben Dixon ⁽³⁾	15,000	19,000
Michael Clarke ⁽⁴⁾	-	42,000
Other related party transactions		
Shape Capital Pty Ltd - Consultancy ⁽²⁾	30,000	30,000
Balances – Accounts Payable	31 Mar 2023	31 Dec 2022
Athan Lekkas	40,000	20,000
Andrew Sterling	3,333	3,333
Michael Clarke	6,666	3,333
Mark Pryn (Baudin Consulting Pty Ltd)	11,961	3,062
Shape Capital Pty Ltd	10,000	11,000
Ben Dixon	5,500	5,500

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ Ben Dixon is a director of Icon Esports Pty Ltd and received consulting fees via and Kribe Konsulting.

⁽⁴⁾ 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 December 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 applicable

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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 2022 Annual Financial Report.

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

Nil. Refer to Note 2 to the March 2023 Interim Financial Report.

1.14 (a) Fair value measurement

Refer to Note 12 to the March 2023 Interim Financial Report.

1.14 (b) – Financial Instruments and Other Instruments

Refer to Note 11 to the March 2023 Interim Financial Report.

1.15 – Other MD&A Requirements

Share Capital

Refer to Note 10 to the March 2023 Interim Financial Report.

RISK FACTORS AND UNCERTAINTIES

Business strategies and risks

The Group will continue to actively manage and seek revenue growth opportunities within the payment solutions and esports and gaming sector. Further the Group will continue to manage and monitor its investments and its cryptocurrency exposures.

The Group is exposed to risk and uncertainties:

- **Risk of no return on investment:** There is no assurance that the Group's businesses and investments will be profitable in the future, or that the Group will be able generate sufficient or any income to meet its obligations. There is no assurance that an investment in our securities will earn a specified rate of return or any return over the life of the Company.
- **Security price volatility:** There can be no assurance that an active trading market in our securities will be established and sustained. 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 Group. 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.
- **Global financial conditions:** Global financial conditions over the last few years have been characterised by volatility and the bankruptcy of several financial institutions or the rescue thereof by governmental authorities. These factors may affect the ability of the Group to obtain equity or debt financing on suitable terms in the future. Additionally, these factors, as well as other related factors, may cause asset value impairments which may also adversely impact future cash flows, earnings and the pricing of our securities.

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- **Uncertainty of additional financing:** There is no assurance future working capital will be adequate to finance business growth objectives. The Group does not have any commitments to obtain additional financing and if required in future, there is no assurance that the Group will be available on commercially reasonable terms. The failure to obtain such financing on a timely basis could have a material adverse impact. Equity financing and the additional issuance of equity securities may result in the dilution of existing security holder interests.
- **Acquisition risk:** The Group's business growth strategies may include pursuing acquisitions. The successful implementation of acquisitions will depend on a range of factors including due diligence, acquisition costs, funding arrangements, business cultural compatibility and operational integration. To the extent acquisitions are not successfully integrated with Group's existing business, the Group's financial performance could be materially adversely affected. Future acquisitions may involve the issue of Group securities which may dilute existing security holder interests.
- **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 Group and/ or its investee organisations.
- **Technology risk:** The Group's, assets and business operations, may be susceptible to rapid technological change and there is no assurance that adequate responses will be made in a timely manner.

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RISK FACTORS AND UNCERTAINTIES (continued)

- **Access to insurance:** The Group 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 absence of insurance coverage could have an adverse impact on the Group's future cash flows, earnings, results of operations and financial condition.
- **Reliance on directors, officers and other key personnel:** The Group has a small management team and the unexpected loss of any of these individuals may have a serious impact on the business. Specifically, the Group is dependent upon the skills of the management team listed in items "Directors and Executive Officers" for the successful operation of its business interests. 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 Group's business interests. The Group also relies on consultants to carry out certain business objectives and the unexpected loss of any of these consultants could have a serious impact on the business.
- **Relationships with key third party suppliers and service providers:** 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 Group's ability to win and retain contracts, each of which could materially adversely affect Group's future business, operating and financial performance.
- **Data security & cybersecurity risks:** The Group is subject to Australian Privacy legislation which includes the requirement to report any serious security or privacy breaches. The Group's payment solutions business relies uninterrupted operation of its 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. 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.
- **Non-exhaustive list:** The above list of risk factors should not be taken as exhaustive. The above factors and others not yet identified may materially affect future financial performance and the value of our securities.

APPROVAL

The Board of Directors of the Company approved the disclosure contained in this MD&A on 30 May 2023.