

**SQID TECHNOLOGIES LIMITED**  
**Management Discussion and Analysis**  
**For the three months ended 30 June 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 29 August 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 included:

- 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
- esports and gaming operations through its wholly owned subsidiary ICON Esports Pty Ltd (ICON).

During the reporting period, the Group commenced discussions to divest ICON. On 3 August 2023, the Group confirmed the ICON divestment. As at 30 June 2023 the ICON assets and directly associated liabilities are classified as "held for sale" and its operations are classified as "discontinued"

There were no other significant changes to the nature of business during the reporting period.

**1.3 – Selected Annual Information – not applicable**

**1.4 – Results of Operations for the quarter**

Continuing operations compared to the previous corresponding period (pcp)

Revenue from continuing operations was \$58,073 (pcp: \$43,570).

The profit from continuing operations was \$32,587 (pcp: \$4,554).

The improved result is largely attributable to a freeze on discretionary spending from 1 April 2023, whilst the Group undertakes a strategic review.

Discontinued operations compared to the previous corresponding period (pcp)

The loss from discontinued operations was \$174,913 (pcp: \$336,156).

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**1.5 – Summary of Quarterly Results**

Consolidated Balance Sheet as at	30 Jun 23	31 Mar 23	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21
<b>Assets</b>							
<b>Current Assets</b>							
Bank	44,510	85,343	356,113	476,751	796,315	1,084,243	1,806,019
Accounts Receivable	20,062	238,470	230,699	255,037	93,990	133,454	149,760
Inventories	-	-	-	-	-	57,557	67,557
Other Current Assets	-	16,507	20,758	9,211	9,211	18,224	65,693
Assets held for sale	138,972	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>203,544</b>	<b>340,320</b>	<b>607,570</b>	<b>740,999</b>	<b>899,516</b>	<b>1,293,478</b>	<b>2,089,029</b>
<b>Non-Current Assets</b>							
Fixed Assets	-	-	-	-	-	-	-
Investments accounted for using the e	-	-	-	-	-	-	-
Intangible Assets	-	-	-	100,000	100,000	-	60,000
Security Bonds	-	-	-	-	-	-	-
Other Financial Assets	200,220	200,220	200,220	200,220	200,220	300,220	-
Deferred Tax Asset	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>200,220</b>	<b>200,220</b>	<b>200,220</b>	<b>300,220</b>	<b>300,220</b>	<b>300,220</b>	<b>60,000</b>
<b>Total Assets</b>	<b>403,764</b>	<b>540,540</b>	<b>807,790</b>	<b>1,041,219</b>	<b>1,199,736</b>	<b>1,593,698</b>	<b>2,149,029</b>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Accounts Payable	84,551	328,103	346,395	276,836	256,806	316,451	400,135
Contract liabilities	-	-	9,507	36,000	-	25,000	117,500
Merchant liabilities	18,374	18,374	18,374	18,374	18,374	18,374	18,374
Employee provisions	-	97,119	102,676	87,154	87,154	69,165	69,165
Assets held for sale - liabilities	363,930	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>466,855</b>	<b>443,596</b>	<b>476,952</b>	<b>418,364</b>	<b>362,334</b>	<b>428,990</b>	<b>605,174</b>
<b>Non-Current Liabilities</b>							
Employee provisions	-	17,709	17,709	22,378	22,378	18,082	18,082
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>17,709</b>	<b>17,709</b>	<b>22,378</b>	<b>22,378</b>	<b>18,082</b>	<b>18,082</b>
<b>Total Liabilities</b>	<b>466,855</b>	<b>461,305</b>	<b>494,661</b>	<b>440,742</b>	<b>384,712</b>	<b>447,072</b>	<b>623,256</b>
<b>Net Assets</b>	<b>(63,091)</b>	<b>79,235</b>	<b>313,129</b>	<b>600,477</b>	<b>815,024</b>	<b>1,146,626</b>	<b>1,525,773</b>
<b>Equity</b>							
Share Capital	8,824,267	8,824,267	8,824,267	8,824,267	8,824,267	8,824,267	8,824,267
Reserves	(532,105)	(532,105)	(532,105)	(532,105)	(532,105)	(532,105)	(532,105)
Retained Earnings	(8,355,253)	(8,212,927)	(7,979,033)	(7,691,685)	(7,477,138)	(7,145,536)	(6,766,389)
Non controlling interests	-	-	-	-	-	-	-
<b>Total Equity</b>	<b>(63,091)</b>	<b>79,235</b>	<b>313,129</b>	<b>600,477</b>	<b>815,024</b>	<b>1,146,626</b>	<b>1,525,773</b>

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

<b>Profit &amp; Loss Quarters ended</b>	<b>30 Jun 23</b>	<b>31 Mar 23</b>	<b>31 Dec 22</b>	<b>30 Sep 22</b>	<b>30 Jun 22</b>	<b>31 Mar 22</b>	<b>31 Dec 21</b>
<b>Revenue</b>							
Revenue from contracts with customers	58,073	51,250	53,358	46,468	43,570	31,627	34,151
	<b>58,073</b>	<b>51,250</b>	<b>53,358</b>	<b>46,468</b>	<b>43,570</b>	<b>31,627</b>	<b>34,151</b>
Direct Costs	-	-	1,191	-	-	-	24,541
<b>Gross Profit</b>	<b>58,073</b>	<b>51,250</b>	<b>52,167</b>	<b>46,468</b>	<b>43,570</b>	<b>31,627</b>	<b>9,610</b>
	<b>100.0%</b>	<b>100.0%</b>	<b>97.8%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>28.1%</b>
Interest Income	1	1	1	2	3	4	25
Government assistance_(inc R&D)	-	-	-	-	129,208	-	-
Share of profits of associates account	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Fair value gains /losses	-	-	-	-	-	-	-
Impairment losses	-	-	(100,000)	-	-	-	(45,238)
<b>Expenses</b>							
Employee Benefits	-	-	-	-	-	-	-
Depreciation & Amortisation	-	-	-	-	-	-	-
Consultancy Fees	300	112,500	109,378	116,350	105,044	115,793	-
Director Fees	-	10,000	13,333	10,000	20,000	20,000	20,000
Professional Fees	12,596	14,764	18,970	15,366	25,228	31,088	180,118
Listing Expenses	7,628	7,206	3,839	3,128	15,611	7,471	5,677
IT & Hosting Costs	-	-	-	-	-	-	-
Other Expenses	4,963	2,601	4,365	11,284	2,344	3,914	4,042
Finance costs	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>25,487</b>	<b>147,071</b>	<b>149,885</b>	<b>156,128</b>	<b>168,227</b>	<b>178,266</b>	<b>209,837</b>
<b>Profit / (loss) before Tax</b>	<b>32,587</b>	<b>(95,820)</b>	<b>(197,717)</b>	<b>(109,658)</b>	<b>4,554</b>	<b>(146,635)</b>	<b>(245,440)</b>
Income Tax	-	-	-	-	-	-	-
<b>Profit / (loss) after Tax</b>	<b>32,587</b>	<b>(95,820)</b>	<b>(197,717)</b>	<b>(109,658)</b>	<b>4,554</b>	<b>(146,635)</b>	<b>(245,440)</b>
Discontinued operations	(174,913)	(138,074)	(89,631)	(104,889)	(336,156)	(232,512)	(1,015,856)
Non-controlling interests	-	-	-	-	-	-	11,280
<b>Loss for SQID owners</b>	<b>(142,326)</b>	<b>(233,894)</b>	<b>(287,348)</b>	<b>(214,547)</b>	<b>(331,602)</b>	<b>(379,147)</b>	<b>(1,250,016)</b>
Basic & Diluted Earnings per Share	(0.01)	(0.02)	(0.02)	(0.02)	(0.03)	(0.05)	(0.16)

**1.6 – Liquidity and Capital Resources**

**Going concern**

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

For the half-year ended 30 June 2023, the Group incurred a net loss of \$376,220 (2022: \$710,749) comprising losses from continuing operations of \$63,233 (2022: \$144,084) and from discontinued operations of \$312,987 (2022: \$566,665). Total net cash used in operating activities (continuing and discontinued) was \$256,272 (2022: \$709,484).

As at 30 June 2023 the Group had a net working capital deficiency of \$263,311 (2022:\$130,618 surplus) and net tangible liabilities of \$63,091 (31 December 2022: \$313,129 net assets).

As at 30 June 2023, the Group was negotiating the divestment of its esports and gaming interests held by Icon Esports Pty Ltd (ICON). The statement of financial position shows ICON had net liabilities totalling \$224,958 comprising assets held for sale \$138,972 and directly associated liabilities \$363,930. Had the divestment been completed by 30 June 2023, the statement of financial position would show positive net assets with a reduced working capital deficiency.

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These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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, SQID has access to capital market funding options,
- the disposal of Icon Esports Pty Ltd subsequent to the end of the reporting period, has unencumbered SQID's financial position and ability to pursue strategic initiatives,
- the Directors and CFO have forgiven their normal remuneration entitlements from 1 April 2023 until the end of the reporting period. Thereafter the remuneration of the Directors and CFO will form part of a strategic review of SQID's payment solution business and its investment portfolio.

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 – investments held**

The Group holds 4,260,000 fully paid ordinary shares at \$0.0470 per share and 1,065,000 options in MSM Corporation International Limited (MSMCI). The carrying value of the investment of \$200,220.

MSMCI recently announced a capital raise to fund growth at prices above SQID's carrying value.

The also Group has invested \$100,000 in a cryptocurrency ITO undertaken by tagSpace. The investment has been fully impaired in prior periods however management continue to monitor performance and engage with tagSpace.

On 5 April 2023, Shirley Uranium Inc (formerly Vello Technologies Inc) announced that the Company would be dissolved after an "in-specie" distribution of shares in Sienna Mining Limited to shareholders. SQID now holds 1,079,545 shares (4.55%) in Sienna Mining Limited which holds land positions in prospective uranium mining geology in Tanzania. The Group's Vello Technologies Inc investment was previously fully impaired and at this stage it is too early to put a value on the Sienna Mining Limited holding.

### **1.8 – Off Balance Sheet Arrangements**

As at 30 June 2023, there were no off-balance sheet arrangements to which the Company was committed.

### **1.9 – Transactions with Related Parties**

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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 30 June 2023 and 30 June 2022 and outstanding payables as at 30 June 2023 and 31 December 2022:

<b>Transactions</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
<b>Executive remuneration</b>		
Nick Bobir – CEO- Icon Esports Pty Ltd - (short term, post-employment and long term employee benefits)	31,609	27,500
<b>Sqid Technologies Limited - non-executive director remuneration <sup>(1)</sup></b>		
Andrew Sterling	-	10,000
Michael Clarke	-	10,000
<b>Other key management personnel short term benefits <sup>(1)</sup></b>		
Athan Lekkas – CEO & Chair	-	60,000
Mark Pryn (Baudin Consulting Pty Ltd) – CFO	-	10,250
Ben Dixon <sup>(3)</sup>	-	22,333
Michael Clarke <sup>(4)</sup>	-	(10,000)
<b>Other related party transactions</b>		
Shape Capital Pty Ltd - Consultancy <sup>(2)</sup>	-	30,000
<b>Balances – Accounts Payable</b>	<b>30 June 2023</b>	<b>31 Dec 2022</b>
Athan Lekkas	20,000	20,000
Andrew Sterling	3,333	3,333
Michael Clarke	3,667	3,333
Mark Pryn (Baudin Consulting Pty Ltd)	10,767	3,062
Shape Capital Pty Ltd	11,000	11,000
Ben Dixon	-	5,500

<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. Aside from Nick Bobir, CEO Icon Esports Pty Ltd, all related party arrangements were put on hold effective 31 March 2023.

<sup>(2)</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. This arrangement was put on hold effective 31 March 2023.

<sup>(3)</sup> Ben Dixon is a director of Icon Esports Pty Ltd and received consulting fees via and Kribe Konsulting. This arrangement was put on hold effective 31 March 2023.

<sup>(4)</sup> Michael Clarke is a director Sqid Technologies Ltd and Icon Esports Pty Ltd and received consulting fees via Malvern Corporation Pty Ltd. This arrangement was put on hold effective 31 March 2023.

**1.10 Subsequent Events**

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On 3 August 2023, the Company announced that it had entered a share sale agreement (at arm's length) with BLSS Holdings Pty Ltd. ("BLSS") whereby subject to Completion BLSS will acquire 100% of ICON Esports Pty Ltd share capital. SQID will be entitled to a share of EBITDA generated by ICON for three calendar years following Completion Date. The EBITDA share is 10% in the first and second calendar years and 8% in the third calendar year. In addition to the share of future EBITDA the Company received \$1 consideration upon completion.

ICON Esports Pty Ltd (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, partnerships, and merchandise to their esports and gaming audience.

No other 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**

**1.12 – Proposed Transactions**

Refer section 1.10 Subsequent Events above.

**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")**

The quarter a discontinued operations policy was introduced. Refer to Note 1 to the June 2023 Interim Financial Report.

**1.14 (a) Fair value measurement**

Refer to Note 8 to the June 2023 Interim Financial Report.

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

Not applicable

**1.15 – Other MD&A Requirements**

**Share Capital**

Refer to Note 7 to the June 2023 Interim Financial Report.

**RISK FACTORS AND UNCERTAINTIES**

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**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.
- **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 29 August 2023.