

SQID TECHNOLOGIES LIMITED
Management Discussion and Analysis
For the three months ended 30 September 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 24 October 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

Up to 10 August 2023, 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).

On 10 August 2023, the Company announced that it had completed a share sale agreement (at arm’s length) with BLSS Holdings Pty Ltd. (“BLSS”) whereby BLSS acquired 100% of ICON Esports Pty Ltd share capital. SQID is entitled to a share of EBITDA generated by ICON for the ensuing three calendar years. The EBITDA share is 10% in the first and second calendar years and 8% in the third calendar year.

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 \$76,732 (pcp: \$46,468).

The profit from continuing operations was \$48,437 (pcp: \$109,658 loss).

The improved result is largely attributable to a freeze on discretionary spending from 1 April 2023 to 30 June 2023 together with revised KMP remuneration arrangements. The Group has commenced a strategic review resulting in the ICON divestment.

Discontinued operations compared to the previous corresponding period (pcp)

The profit from discontinued operations was \$224,959 (pcp: \$104,889). The result for this quarter includes a gain arising from the ICON divestment totalling \$230,974.

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1.5 – Summary of Quarterly Results

Consolidated Balance Sheet as at	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21
Assets								
Current Assets								
Bank	34,425	44,510	85,343	356,113	476,751	796,315	1,084,243	1,806,019
Accounts Receivable	27,169	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	-	-	-	-	-	-
Total Current Assets	61,594	203,544	340,320	607,570	740,999	899,516	1,293,478	2,089,029
Non-Current Assets								
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	200,220	300,220	-
Deferred Tax Asset	-	-	-	-	-	-	-	-
Total Non-Current Assets	200,220	200,220	200,220	200,220	300,220	300,220	300,220	60,000
Total Assets	261,814	403,764	540,540	807,790	1,041,219	1,199,736	1,593,698	2,149,029
Liabilities								
Current Liabilities								
Accounts Payable	33,135	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	18,374
Employee provisions	-	-	97,119	102,676	87,154	87,154	69,165	69,165
Assets held for sale - liabilities	-	363,930	-	-	-	-	-	-
Total Current Liabilities	51,509	466,855	443,596	476,952	418,364	362,334	428,990	605,174
Non-Current Liabilities								
Employee provisions	-	-	17,709	17,709	22,378	22,378	18,082	18,082
Total Non-Current Liabilities	-	-	17,709	17,709	22,378	22,378	18,082	18,082
Total Liabilities	51,509	466,855	461,305	494,661	440,742	384,712	447,072	623,256
Net Assets	210,305	(63,091)	79,235	313,129	600,477	815,024	1,146,626	1,525,773
Equity								
Share Capital	8,824,267	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	(8,613,962)	(8,355,253)	(8,212,927)	(7,979,033)	(7,691,685)	(7,477,138)	(7,145,536)	(6,766,389)
Non controlling interests	-	-	-	-	-	-	-	-
Total Equity	210,305	(63,091)	79,235	313,129	600,477	815,024	1,146,626	1,525,773

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1.5 – Summary of Quarterly Results (continued)

Profit & Loss Quarters ended	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21
Revenue								
Revenue from contracts with customers	76,232	58,073	51,250	53,358	46,468	43,570	31,627	34,151
	76,232	58,073	51,250	53,358	46,468	43,570	31,627	34,151
Direct Costs	-	-	-	1,191	-	-	-	24,541
Gross Profit	76,232	58,073	51,250	52,167	46,468	43,570	31,627	9,610
	100.0%	100.0%	100.0%	97.8%	100.0%	100.0%	100.0%	28.1%
Interest Income	1	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)
Expenses								
Employee Benefits	-	-	-	-	-	-	-	-
Depreciation & Amortisation	-	-	-	-	-	-	-	-
Consultancy Fees	1,295	300	112,500	109,378	116,350	105,044	115,793	-
Director Fees	6,000	-	10,000	13,333	10,000	20,000	20,000	20,000
Professional Fees	13,700	12,596	14,764	18,970	15,366	25,228	31,088	180,118
Listing Expenses	3,421	7,628	7,206	3,839	3,128	15,611	7,471	5,677
IT & Hosting Costs	-	-	-	-	-	-	-	-
Other Expenses	3,380	4,963	2,601	4,365	11,284	2,344	3,914	4,042
Finance costs	-	-	-	-	-	-	-	-
Total Expenses	27,796	25,487	147,071	149,885	156,128	168,227	178,266	209,837
Profit / (loss) before Tax	48,437	32,587	(95,820)	(197,717)	(109,658)	4,554	(146,635)	(245,440)
Income Tax	-	-	-	-	-	-	-	-
Profit / (loss) after Tax	48,437	32,587	(95,820)	(197,717)	(109,658)	4,554	(146,635)	(245,440)
Discontinued operations	224,959	(174,913)	(138,074)	(89,631)	(104,889)	(336,156)	(232,512)	(1,015,856)
Non-controlling interests	-	-	-	-	-	-	-	11,280
Loss for SQID owners	273,396	(142,326)	(233,894)	(287,348)	(214,547)	(331,602)	(379,147)	(1,250,016)
Basic & Diluted Earnings per Share	0.02	(0.01)	(0.02)	(0.02)	(0.02)	(0.03)	(0.05)	(0.16)

1.6 – Liquidity and Capital Resources

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

For the period ended 30 September 2023, the Group incurred a net loss of \$102,824 (2022: \$925,296) comprising losses from continuing operations of \$14,796 (2022: \$251,742) and from discontinued operations of \$88,028 (2022: \$673,554). The losses from discontinued operations comprised a profit on disposal of \$230,974 (2022: \$nil) and operating losses of \$319,002 (2022: \$673,554).

Total net cash used in operating activities (continuing and discontinued) was \$257,690 (31 December 2022: \$1,029,048).

As at 30 September 2023 the Group had positive working capital of \$10,085 (31 December 2022 :\$130,618) and net assets of \$210,305 (31 December 2022 : \$313,129).

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The current trading losses 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 that:

- * as a listed entity, has access to capital market funding options, and
- ** the Directors and other KMP have previously forgiven and revised their remuneration arrangements in line with cash flow forecasts.

On this basis no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

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 **Riva Technology and Entertainment Ltd** (RTE - formerly MSM Corporation International Limited). The carrying value of the investment of \$200,220.

RTE is a digital media entertainment company that specialises in global gaming and Esports. The previous report disclosed a proposed capital raise, however, this did not occur due to unfavourable global capital market conditions.

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.

SQID also holds 1,079,545 shares (4.55%) in Sienna Mining Limited (Sienna) which holds land positions in prospective uranium mining geology in Tanzania. The Sienna holdings were acquired through the wind up of the Group's previously fully impaired Vello Technologies Inc investment. Sienna has since raised capital at \$0.07 per share. Currently, the carrying value of the investment is nil, however this will be formally reviewed for the purposes of the Annual Report as at 31 December 2023.

1.8 – Off Balance Sheet Arrangements

As at 30 September 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 three months ended 30 June 2023 and 30 June 2022 and outstanding payables as at 30 June 2023 and 31 December 2022:

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Transactions	30 Sept 2023	30 Sept 2022
Executive remuneration		
Nick Bobir – former CEO- Icon Esports Pty Ltd - (short term, post-employment and long term employee benefits)	31,609	27,625
Sqid Technologies Limited - non-executive director remuneration ⁽¹⁾		
Andrew Sterling	6,000	10,000
Michael Clarke	6,000	10,000
Other key management personnel short term benefits ⁽¹⁾		
Athan Lekkas – CEO & Chair	-	60,000
Mark Pryn (Baudin Consulting Pty Ltd) – CFO	5,250	12,500
Ben Dixon ⁽³⁾	-	15,000
Other related party transactions		
Shape Capital Pty Ltd		
- Consultancy ⁽²⁾	(10,000)	30,000
Balances – Accounts Payable	30 Sept 2023	31 Dec 2022
Athan Lekkas	11,477	20,000
Andrew Sterling	2,200	3,333
Michael Clarke	2,000	3,333
Mark Pryn (Baudin Consulting Pty Ltd)	1,500	3,062
Shape Capital Pty Ltd	-	11,000
Ben Dixon	-	5,500

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

⁽²⁾ Shape Capital Pty Ltd (“Shape”) is a related entity of Anoosh Manzoori, who on 4 May 2023 resigned as CEO / Chair of SQID’s largest shareholder, First Growth Funds Limited. Prior to 28 February 2023 Shape was 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 is no longer in place.

⁽³⁾ Ben Dixon resigned as a director of Icon Esports Pty Ltd (ICON) effective 10 August 2023 being the date SQID completed the sale of ICON. Prior to the sale of ICON Ben Dixon received consulting fees via Kribe Consulting.

1.10 Subsequent Events

No matter or circumstance has arisen since 30 September 2023 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

Nil

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”)

A discontinued operations policy was introduced. Refer to Note 2 to the September 2023 Interim Financial Report.

1.14 (a) Fair value measurement

Refer to Note 6 to the September 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 5 to the September 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.
- **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 24 October 2023.