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TSXV: LQWD | OTCQB: LQWDF

# **LQWD FINTECH CORP.**

**(formerly INTERLAPSE TECHNOLOGIES CORP.)**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FORM 51-102F1

FOR THE YEARS ENDED February 28, 2021 and February 29, 2020

**LQWD FINTECH CORP.**  
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The following Management's Discussion and Analysis ("MD&A") is dated June 28, 2021, for the year ended February 28, 2021 and should be read in conjunction with LQwD Fintech Corp. (formerly Interlapse Technologies Corp.)(“LQwD” or the “Company”) accompanying audited consolidated financial statements for the years ended February 28, 2021 and February 29, 2020.

These audited consolidated financial statements for the year ended February 28, 2021 have been prepared in accordance with and comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and its interpretation of the International Financial Reporting Interpretations Committee (“IFRIC”). These consolidated financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting, except for cash flow information. The MD&A supplement does not form part of the audited consolidated financial statements for the year ended February 28, 2021 and the notes thereto for the year ended February 28, 2021. All amounts are expressed in Canadian dollars unless otherwise indicated. In addition, readers are directed herein to discussions under the headings “*Forward-Looking Statements*”, “*Critical Accounting Estimates*” and “*Risk Factors*”.

LQwD management is responsible for the integrity of the information contained in this report and for the consistency between the MD&A and the financial statements.

## CURRENT DEVELOPMENTS

### CORPORATE

On November 2, 2020, the Company completed a non-brokered private placement of 4,902,212 units at \$0.15 per share for gross proceeds of \$735,632. Each unit comprises one common share of the Company and one share purchase warrant. Each warrant entitles the holder to subscribe for one additional share at a price of \$0.20 per share for a period of 18 months from the date of issuance.

On November 23, 2020, the Company entered into a share exchange agreement (the "Agreement") with LQwD Financial Corp. ("LQwD Financial") to acquire 100% of the issued and outstanding shares of LQwD Financial (the "Transaction"). Under the Agreement, each outstanding LQwD Financial share will be exchanged for one LQwD share, resulting in an aggregate issuance of 22,400,001 LQwD shares at a deemed price of \$0.25 per share. Upon completion of the Transaction, LQwD Financial will become a wholly owned subsidiary of LQwD. On June 9, 2021, the Company completed its the Transaction with LQwD Financial.

### COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) and its head office is in Vancouver, British Columbia, Canada. LQwD is a technology company that is focused on developing various web-based platforms, solutions and applications. The Company's common shares trade on the TSX Venture Exchange (the "TSX-V") under the symbol "LQWD" and on the OTCQB market under the symbol "LQWDF" and as at February 28, 2021, had 30,683,189 common shares issued and outstanding.

The executive team of the Company is as follows:

- Shone Anstey – Chief Executive Officer
- Barry MacNeil – Chief Financial Officer
- Albert Szmigielski – Chief Technology Officer
- Giuseppe (Pino) Perone – Corporate Secretary.

### OVERALL PERFORMANCE

The Company's objective for the fiscal 2021 year has been to allow it to pursue value generating opportunities for the shareholders. To support this effort, the Company raised \$697,260 from private placement financings and ended the year with \$1,836,827 in cash, amounting to an increase of \$851,665 over the prior fiscal year. The Company recorded revenue of \$126,119 from transaction fees from its coincurve.com platform for the year ended February 28, 2021.

The largest cash expenditures incurred by the Company during the fiscal year included consulting and milestone fees of \$224,000<sup>(1)</sup>, salaries and benefits of \$88,280 and legal fees of \$85,119. The Company recorded total non-cash expenses of \$300,734 for share-based compensation, consulting and milestone fees, amortization of intangible assets, and amortization of property and equipment.

For the year ended February 28, 2021, the Company closed the year with working capital of \$2,247,241 and recorded a net loss of \$813,197. LQwD can fund its operations for a further 12 months and will continue to support the growth of its coincurve.com platform.

(1) - The expense of \$224,000 includes a non-cash portion of \$49,000.

	Years ended				
	2021 Q4	2021 Q3	2020 Q4	February 28, 2021	February 29, 2020
Revenue	\$ 34,505	\$ 22,590	\$ 19,726	\$ 126,119	\$ 52,631
Loss for the period	\$ (204,214)	\$ (230,125)	\$ (173,016)	\$ (813,197)	\$ (1,355,713)

The Company's current quarter loss is mainly driven by the four largest expenses, amortization of intangible assets, legal fees, platform administration and consulting and milestone fees of \$46,002, \$42,122, \$38,478 and \$27,000 respectively. During the year ended February 28, 2021, the Company had a decrease in costs due to the completion of the change of business and acquisition and operation of Skyrun Technology Corp. ("Skyrun") the prior year.

## FINANCIAL RESULTS OF OPERATIONS

### Selected Annual Information

For the years ended	February 28, 2021	February 29, 2020	February 28, 2019
	\$	\$	\$
Net sales	126,119	52,631	-
Gross profit	126,119	52,631	-
Loss for the year	(813,197)	(1,355,713)	(713,571)
Loss for the year per share	(0.03)	(0.08)	(0.06)
Total assets	2,943,085	1,732,865	970,983
Total liabilities	92,553	76,560	77,363
Total long-term financial liabilities	-	-	-
Shares outstanding – end of year (millions)	30.68	25.25	12.93
Dividends declared	-	-	-

### Loss for the Year

For the years ended	February 28, 2021	February 29, 2020	February 28, 2019
	\$ (813,197)	\$ (1,355,713)	\$ (713,571)

The Company's operations for the year ended February 28, 2021 produced a loss of \$813,197 compared to a loss of \$1,355,713 in the previous year.

The prior year's loss includes the additional costs of regulatory and legal fees of transitioning to the technology sector and business development, consulting, and marketing costs to support the acquired IT platform. Included in the current year were management fees of \$24,189 incurred for services provided by a Canadian related company. These services are provided as needed on a cost-plus basis for operational support.

### Total Assets

For the years ended	February 28, 2021	February 29, 2020	February 28, 2019
	\$ 2,943,085	\$ 1,732,865	\$ 970,983

The Company's total assets increased in the year by \$1,210,220. This is accounted for by the increase in cash as a result of financing from private placements and the shares subscribed.

## Total Liabilities

For the years ended	February 28, 2021	February 29, 2020	February 28, 2019
	\$ 92,553	\$ 76,560	\$ 77,363

## SUMMARY OF QUARTERLY RESULTS

	Three Months Ended			
	February 28, 2021	November 30, 2020	August 31, 2020	May 31, 2020
Sales	\$ 34,505	\$ 22,590	\$ 31,361	\$ 37,663
Gross profit	\$ 34,505	\$ 22,590	\$ 31,361	\$ 37,663
Loss for the period	\$ (204,214)	\$ (230,125)	\$ (207,476)	\$ (171,382)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
	February 29, 2020	November 30, 2019	August 31, 2019	May 31, 2019
Sales	\$ 19,726	\$ 19,649	\$ 13,256	\$ -
Gross profit	\$ 19,726	\$ 19,649	\$ 13,256	\$ -
Loss for the period	\$ (173,016)	\$ (394,677)	\$ (519,828)	\$ (268,192)
Loss per share	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.02)

The Company's operations for the three months ended February 28, 2021 produced a loss of \$204,214 compared to a loss of \$173,016 for the same quarter in the previous year.

## LIQUIDITY AND CAPITAL RESOURCES

	Years ended				
	2021 Q4	2021 Q3	2020 Q4	February 28, 2021	February 29, 2020
Cash and cash equivalents	\$ 1,836,827	\$ 1,274,717	\$ 985,162	\$ 1,836,827	\$ 985,162
Working capital	\$ 2,247,241	\$ 1,251,079	\$ 1,004,663	\$ 2,247,241	\$ 1,004,663

As at the date of this report, the Company has adequate cash and working capital to fund its operations and planned capital expenditures for the next 12 months. Any additional material capital expenditures or commitments may require a source of additional financing, which may come from funds through equity financing.

	Years ended				
	2021 Q4	2021 Q3	2020 Q4	February 28, 2021	February 29, 2020
Issued and outstanding shares	30,683,189	30,683,189	25,245,644	30,683,189	25,245,644
Issued and outstanding shares, fully diluted	36,497,401	36,497,401	27,075,644	36,497,401	27,075,644

On March 31, 2020, the Company acquired buybitcoincanada.com, a virtual currency brokerage platform from Canadian blockchain company, Bitaccess Inc., in exchange for 233,333 shares of the Company.

On April 22, 2020, the Company issued 200,000 shares to two officers of the Company at a price of \$0.16 per share in accordance with the terms of the agreement to purchase Skyrun.

On June 2, 2020, the Company issued 100,000 common shares to two officers of the Company at a price of \$0.17 per share in accordance with the terms of the agreement to purchase Skyrun.

On November 2, 2020, the Company closed a non-brokered private placement offering of 4,904,212 units of the Company at \$0.15 per unit, for gross proceeds of \$735,632. Each unit comprises one common share of the Company and one share purchase warrant.

The technology business may affect the Company's ability to raise capital to acquire properties and/or pursue other opportunities in the future.

## RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	Years ended				
	2021 Q4	2021 Q3	2020 Q4	February 28, 2021	February 29, 2020
Business development	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Consulting fees	19,500	64,000	40,000	152,500	130,000
Director fees	2,500	500	250	3,000	1,250
Share-based compensation	12,458	3,223	39,662	48,249	121,830
	<b>\$ 34,458</b>	<b>\$ 67,723</b>	<b>\$ 79,912</b>	<b>\$ 203,749</b>	<b>\$ 328,080</b>

During the year ended February 28, 2021, the Company was charged \$24,189 (February 29, 2020 - \$62,324) by a Canadian related company with similar key management personnel for management fees. At February 28, 2021, \$nil (February 29, 2020 - \$35,027) is owing to the Canadian related company with similar key management personnel and is included in accounts payable and accrued liabilities.

During the year ended February 28, 2021, the Company issued 300,000 common shares to two officers of the Company at an average price of \$0.163 per share in accordance with the terms of the agreement to purchase Skyrun.

All transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## SHARE CAPITAL

- a. At February 28, 2020, there were 30,683,189 common shares, 910,000 stock options and 4,904,212 warrants outstanding.
- b. At June 28, 2021, there were 73,666,522 common shares, 1,870,000 stock options and 19,010,380 warrants outstanding.

The Company has one class of common shares. No class A or class B preference shares have been issued.

## **SUBSEQUENT EVENTS**

- (a) On May 20, 2021, the Company granted share options to purchase up to 1,000,000 common shares of the Company at an exercise price of \$0.65.
- (b) On June 9, 2021, the Company closed the Transaction.

The Company issued 22,400,001 shares in consideration for the transfer of all of the issued and outstanding common shares in the capital of LQwD Financial to the Company on a 1:1 basis. In addition, all outstanding warrants of LQwD Financial to acquire up to 4,000,000 common shares of LQwD Financial at a price of \$0.15 per LQwD Financial common share until January 2, 2025 were automatically adjusted to be exercisable into shares on a 1:1 basis.

In connection with the Transaction, on March 23, 2021, the Company closed a non-brokered private placement of 20,000,000 subscription receipts (each, a "Subscription Receipt") at a price of \$0.25 per Subscription Receipt for gross proceeds of \$5 million (the "Concurrent Financing"). Each Subscription Receipt entitled the holder thereof to receive one share and one-half of a share purchase warrant (each whole such warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Share at a price of \$0.40 per Share at any time for a period of 12 months following the date of conversion of the Subscription Receipts, subject to the Accelerated Expiry described below. The Subscription Receipts and the securities into which they are convertible, bear a hold period of four months and a day from the closing of the Concurrent Financing. The Warrants are subject to the Accelerated Expiry, which may be invoked by the Company if, over a period of ten consecutive trading days following the date of issuance of the Warrants, the volume weighted average trading price of the Shares on the Exchange equals or exceeds \$0.60 on each of those 10 consecutive days, by the Company giving notice in writing to the holders of the Warrants that the Warrants will expire on the date that is the earlier of (i) the 30th day following the giving of such notice unless exercised by the holders prior to such date, and (ii) the original expiry date of the Warrants (the "Accelerated Expiry"). In connection with the Concurrent Financing, the Company paid finder's fees in the amount of \$249,150, which represents a 7% cash fee on certain of the gross proceeds raised from subscriptions introduced by arm's length parties. The Company also issued finder's securities, consisting of an aggregate of (i) 672,000 broker warrants with each broker warrant being exercisable to acquire one Share at a price of \$0.40 per Share; and (ii) 35,000 finder's units with each finder's unit converting into one Share and one-half of one share purchase warrant, with each whole such warrant entitling the holder thereof to purchase one additional Share at a price of \$0.40 per Share.

- (c) In June 2021, the Company purchased \$2.7 million worth of BTC at an average price of \$45,900.

## **CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company defines its capital as shareholders' equity, loans and advances payable. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

## **COMPETITION**

Competitors for acquisition opportunities include well-capitalized companies, independent companies and other companies having financial and other resources far greater than those of LQwD, thus a degree of competition exists between those engaged in acquiring attractive assets.

## **CRITICAL ACCOUNTING ESTIMATES**

Management is required to make decisions with respect to estimates and assumptions for certain accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses. These accounting policies are discussed below and are included to highlight the critical accounting policies and practices used by the Company. Note the use of different policies and practices could create different results being reported. The Company's management reviews these estimates regularly. New information and changes in circumstance may result in changes to estimated amounts that differ materially from current estimates.

The following assessment of significant accounting policies and associated estimates is not meant to be exhaustive. In the future, the Company might realize different results from the application of new accounting standards issued by regulatory bodies.

To recognize the share-based payment expense, the Company estimates the fair value of stock options granted using assumptions related to interest rates, expected life of the option, volatility of the underlying security and expected dividend yields. These assumptions may vary over time.

The accrual method of accounting requires management to incorporate certain estimates of costs as at a specific reporting date.

## **PROPOSED TRANSACTIONS**

The Company has no proposed transactions that have not been disclosed.

## **FINANCIAL INSTRUMENTS RISK**

The Company's financial instruments are exposed to the following risks:

### *Credit Risk*

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations.

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. As of February 28, 2021, there were no significant amounts past due or impaired.

### *Market Risk*

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.



### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its purchases and capital commitments, and other financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's liquidity is dependent upon maintaining its current working capital balances, operating cash flows and ability to raise funds. To forecast and monitor liquidity, the Company prepares operating and capital expenditure budgets which are monitored and updated as considered necessary. Considering these circumstances and the Company's cash balance liquidity risk is assessed as low.

### Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. The majority of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments, so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases.

### Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value classification of the Company's financial instruments are as follows:

		February 28, 2021	February 29, 2020
	Fair Value Level	Fair value through profit or loss	Fair value through profit or loss
		\$	\$
<i>Financial assets:</i>			
Cash and cash equivalents	1	1,836,827	985,162
		1,836,827	985,162

The Company's cash and cash equivalents are classified as level 1. During the years ended February 28, 2021 and February 29, 2020, there were no transfers between level 1, level 2, and level 3.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of short-term investments; cheques issued in excess of funds on deposit, accounts payable and accrued liabilities. Terms of the financial instruments, where relevant, are fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant currency,

or credit risks but is exposed to interest rate cash flow risk arising from its financial instruments and that their fair values approximate their carrying values unless otherwise noted.

## **RISKS**

The Company is a technology business and has adequate cash for its current obligations but may not have sufficient cash to sustain operations indefinitely. With limited financial resources and limited revenue, there is no assurance that future funding will be available to the Company to pursue future endeavours. There is a risk that the Company could be forced to cease operations and become insolvent.

There is no guarantee that the Company will be able to attract interest to participate in an acquisition or another business opportunity. The Company's common shares are now trading on the TSX-V under the symbol "LQWD" and on the OTCQB market under the symbol "LQWDF". There can be no assurance that the Company's current activity and the liquid market for the Company's securities will develop and shareholders may find it difficult to resell the securities of the Company.

The factors identified above are not intended to represent a complete list of the risks faced by LQwD. LQwD's management believes that the foregoing risks and uncertainties are a fair indication of the risks and uncertainties material to LQwD's business; however, additional risks and uncertainties, including those currently unknown to LQwD or not considered to be material by LQwD, may also adversely affect the business of LQwD.

## **OFF-BALANCE SHEET ARRANGMENTS**

None noted.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company and results of its operations may be found under LQwD's SEDAR profile at [www.sedar.com](http://www.sedar.com) or on LQwD's website at [www.lqwdfintech.com](http://www.lqwdfintech.com).

## **FORWARD LOOKING STATEMENTS**

The foregoing information contains forward-looking statements within the meaning of securities laws. Forward-looking statements are statements that are not historical fact and often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or states that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking information by its nature requires assumptions and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of LQwD to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information.

Forward-looking statements in this MD&A include, but are not limited to, LQwD's overall strategic plan for assessing acquisition opportunities. In making the forward-looking statements in this MD&A, LQwD has applied certain factors and assumptions that are based on information currently available to LQwD as well as LQwD's current beliefs and assumptions made by LQwD, including that LQwD will maintain its business plan for the near and mid-term range. Although LQwD considers these beliefs and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect, and the forward-looking statements in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Such risk factors include, among others, that LQwD will be unable to fulfill or will

experience delays in fulfilling a strategic plan for the near and mid-term range. Additional risk factors are noted under the heading "*Risks*". The factors identified above and in the "*Risks*" section of this MD&A are not intended to represent a complete list of the factors that could affect LQwD. Although LQwD has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to access to capital, commodity price volatility, well performance and marketability of production, transportation and refining availability and costs.

There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. LQwD does not undertake to update any forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.