



TSXV: LQWD | OTCQX: LQWDF | FRA:47F

LQWD TECHNOLOGIES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FORM 51-102F1

FOR THE THREE MONTHS ENDED MAY 31, 2026

LQWD Technologies Corp.
1050 W. Pender St., Suite 1710
Vancouver, BC, Canada V6E 3S7

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The following Management's Discussion and Analysis ("MD&A") is dated July 30, 2026, for the period ended May 31, 2026 and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the three months ended May 31, 2026 and the LQWD Technologies Corp. ("LQWD" or the "Company") accompanying audited consolidated financial statements for the years ended February 28, 2026 and February 28, 2025.

These condensed consolidated financial statements for the period ended May 31, 2026 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). 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 unaudited condensed consolidated interim financial statements for the three month period ended May 31, 2026 or the audited financial statements of the Company and the notes thereto for the year ended February 28, 2026. 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 April 27, 2026, the Company purchased an additional 5 Bitcoin for its treasury.

On April 27, 2026, the Company announced the launch of LQWD AI Launchpad, a Bitcoin Lightning Network onboarding service designed for AI agents and autonomous software to access Lightning Network payment infrastructure.

On April 23, 2026, the Company announced the deployment and testing of AI-driven tools across its Lightning Network infrastructure and announced SaturnZap, a Lightning Development Kit-based command-line wallet designed for AI-agent payment activity.

On April 15, 2026, the Company announced it had purchased an additional 9.5 Bitcoin for its treasury in the previous quarter.

On March 4, 2026, the Company announced a share buyback program. The normal course issuer bid will run from March 13, 2026 to March 12, 2027, and the maximum number of common shares that may be purchased is approximately 2,605,548.

On February 25, 2026, the Company announced the appointment of David Loretto as an independent director of the Company.

On January 20, 2026, the Company closed a non-brokered private placement of up to 2,000,000 units at a price of \$1.00 per unit for aggregate gross proceeds of up to \$2,000,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$1.25 per share at any time up to 24 months following the closing date.

On September 29, 2025, the Company announced that it had purchased an additional ~14 Bitcoin.

On September 29, 2025, the Company announced the promotion of Matthew Whitcomb to VP Capital Markets and Corporate Development and granted 750,000 stock options that are exercisable for a period of 5 years at a price of \$1.50 per share to various directors, officers, and staff members. The stock options will vest over a period of up to 12 months.

On September 24, 2025, the Company closed its non-brokered private placement, issuing 1,666,667 units at a price of \$1.50 per unit for gross proceeds of approximately \$2,500,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$2.00 per share at any time up to 12 months following the closing date of the private placement.

On July 15, 2025, the Company announced the launch of an at-the-market equity program ("ATM Program"), allowing the Company to issue up to \$10,000,000 of common shares in the capital of the Company from treasury to the public at the Company's discretion. The Company did not issue or sell any common shares under the ATM Program, which expired on December 31, 2025.

On July 15, 2025, the Company announced that it had acquired an additional ~57.5 Bitcoin.

On July 14, 2025, the Company closed its non-brokered private placement, issuing 560,975 common shares at a price of \$4.10 per share for gross proceeds of approximately \$2,300,000.

On July 10, 2025, the Company closed its brokered private placement, issuing 2,439,024 common shares at a price of \$4.10 per share for gross proceeds of approximately \$10,000,000. The Company paid a cash commission of 7% of the aggregate gross proceeds.

Between June 17, 2025, and July 7, 2025, the Company acquired an additional ~20 Bitcoin.

On June 23, 2025, the Company granted 788,000 stock options exercisable for \$3.70 per share to various directors, officers, employees, and consultants. The stock options will vest over a period of up to 24 months.

On June 9, 2025, the Company announced the appointment of Ashley Garnot as President of the Company.

On April 2, 2025, LQWD announced the appointment of Samuel Coyn Mateer as a non-executive director of the Company.

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 under the symbol "LQWD" and on the OTCQX market under the symbol "LQWDF" and as at May 31, 2026, had 32,332,158 common shares issued and outstanding.

LQWD operates a global network of Bitcoin Lightning Network routing nodes. Since the Company launched its first node in November 2021, node activity and LN presence has increased substantially, routing over 2,864 BTC and over 2,701,102 transactions. LQWD's node network currently charges nominal fees, however, fees could potentially increase substantially over time, based on further adoption of the Lightning Network, which is growing at a rapid rate.

The executive team of the Company is as follows:

- Ashley Garnot - President
- Shone Anstey – Chief Executive Officer
- Barry MacNeil – Chief Financial Officer
- Aziz Pulatov – Chief Technology Officer
- Giuseppe (Pino) Perone – Corporate Secretary and General Counsel
- Matthew Whitcomb - VP Capital Markets and Corporate Development

OVERALL PERFORMANCE

The Company's objective is to strengthen its position as a leading provider of liquidity and infrastructure for the Bitcoin Lightning Network and to convert that position into sustainable, fee-based value for shareholders. The Company ended the period with \$2,357,869 in cash and cash equivalents and 267.15 BTC in treasury, providing liquidity through both traditional cash resources and digital assets.

The Company generated \$2,827 in revenue from Lightning Network routing fees and Lightning Service Provider ("LSP") services during the period. Management continues to expand its LSP platform and onboard third-party nodes to increase network connectivity, routing throughput and fee-generating opportunities. During the quarter, routing activity continued to grow as the Company optimized channel liquidity and implemented advanced yield strategies. Management expects continued expansion of the Company's Lightning Network infrastructure and LSP services to support long-term growth in routing activity and transaction fee revenue.

The Company's largest operating expenses during the period were salaries and benefits of \$129,618, research and development of \$117,916, and marketing of \$59,203. The Company recorded total non-cash expenses of \$620,426 for share-based compensation and amortization of property and equipment and recognized a non-cash gain of \$2,370,045 from the revaluation of digital currencies.

For the period ended May 31, 2026, the Company had working capital of \$29,324,114 and recorded net income of \$1,321,091. Management believes the Company has sufficient financial resources to fund its current operating plan for at least the next 12 months.

	2027 Q1	2026 Q4	2026 Q1
Revenue	\$ 2,827	\$ 6,378	\$ 2,985
Income (loss) for the period	\$ 1,321,091	\$ (5,017,859)	\$ (540,039)

FINANCIAL RESULTS OF OPERATIONS

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended			
	May 31, 2026	February 28, 2026	November 30, 2025	August 31, 2025
Revenue	\$ 2,827	\$ 6,378	\$ 11,718	\$ 8,394
Gross profit	\$ 2,827	\$ 6,375	\$ 11,718	\$ 8,394
Income (loss) for the period	\$ 1,321,091	\$ (5,017,859)	\$ (2,008,271)	\$ (2,948,735)
Basic earnings (loss) per share	\$ 0.04	\$ (0.17)	\$ (0.07)	\$ (0.11)
	May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024
Revenue	\$ 2,985	\$ 1,548	\$ 2,736	\$ 909
Gross profit	\$ 2,985	\$ 1,548	\$ 2,736	\$ 909
Income (Loss) for the period	\$ (540,039)	\$ (1,304,179)	\$ (408,639)	\$ (389,374)
Basic earnings (loss) per share	\$ (0.03)	\$ (0.06)	\$ (0.03)	\$ (0.03)

The Company recorded net income of \$1,321,091 for the three months ended May 31, 2026, compared with a net loss of \$540,039 in the comparative period. The current-period net income was primarily attributable to a non-cash gain of \$2,370,045 from the revaluation of digital currencies. Excluding other items, the Company incurred an operating loss of approximately \$1,057,000, reflecting continued investment in personnel, technology development and marketing while platform revenue remains at an early stage.

The Company recorded net income of \$1,321,091 for the three months ended May 31, 2026, compared with a net loss of \$540,039 in the comparative period. The current-period net income was primarily attributable to a non-cash gain of \$2,370,045 arising from the revaluation of the Company's Bitcoin holdings. Excluding other items, the Company incurred an operating loss of approximately \$1,057,000, reflecting continued investment in personnel, technology development and marketing while revenue from its Lightning Network platform remains at an early stage. The Company continues to develop fee-based services that generate revenue from routing transactions, providing channel liquidity and onboarding third-party users to the Lightning Network. The future growth of these services will depend on broader adoption of Bitcoin and the Lightning Network, increased transaction volumes, effective deployment of Bitcoin liquidity, reliable network performance and the Company's ability to generate fees that exceed the associated operating and

transaction costs. Bitcoin and the broader digital-asset market continue to be affected by institutional investment flows, regulatory developments, interest-rate expectations, inflation, geopolitical uncertainty and general investor risk appetite. These factors may support further adoption and integration of Bitcoin into the financial system, but they may also result in significant fluctuations in the value of the Company's digital currencies and reported results. Accordingly, increases in the price of Bitcoin are not required for the Company's operating model to function, but Bitcoin prices can materially affect the Canadian-dollar value of the liquidity available for deployment and the Company's financial position. The results for each of the last eight quarters are presented in the table above and consist principally of revenue, operating expenses and other items, as detailed below:

	Three Months Ended			
	May 31, 2026	February 28, 2026	November 30, 2025	August 31, 2025
Revenue	\$ 2,827	\$ 6,378	\$ 11,718	\$ 8,394
Expenses	\$ 1,060,148	\$ 1,314,932	\$ 2,050,425	\$ 2,968,028
Other items				
Foreign exchange	\$ 8,105	\$ (19,796)	\$ 30,173	\$ 11,209
Interest and accretion income	\$ 262	\$ 262	\$ 263	\$ (310)
Gain (loss) on revaluation of digital currencies	\$ 2,370,045	\$ (3,689,771)	\$ -	\$ -

	Three Months Ended			
	May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024
Revenue	\$ 2,985	\$ 1,548	\$ 2,736	\$ 909
Expenses	\$ 499,512	\$ 912,687	\$ 429,984	\$ 88,845
Other items				
Foreign exchange	\$ (44,082)	\$ 38,954	\$ 17,840	\$ (2,536)
Intangible asset impairment	\$ -	\$ (432,564)	\$ -	\$ -
Interest and accretion income	\$ 570	\$ 570	\$ 769	\$ 1,098

The sales revenue has been well below the projections over the eight quarters and reflects a slower than projected uptake in the adoption of the Lightning Network. The price sensitivity to transaction fees is also an area that the Company is testing to determine the amount that will affect the volume drawn to the network which have been lower than projected.

Over the last eight quarters, operating expenses have fluctuated and trended higher overall, reflecting the Company's transition from early infrastructure development toward scaled Lightning Network operations. The elevated expense levels in the most recent four quarters were primarily driven by non-cash share-based compensation resulting from the immediate vesting and vesting of stock options granted during those periods. In addition, operating expenses increased due to higher professional fees, employee compensation and benefits, and research and development activities, consistent with expanded development efforts, regulatory compliance requirements, and ongoing optimization of the Company's Lightning Network deployment model.

Other items across the eight-quarter period include gain (loss) on revaluation of digital assets, intangible asset impairments, and minor foreign exchange and accretion income. The two largest items were loss on revaluation of digital currencies of \$3,689,771 (Q4-2026) and gain on revaluation of digital currencies of \$2,370,045 (Q1-2027).

Under the Company's IAS 38 revaluation model, increases in fair value are generally recognized in other comprehensive income. However, an increase that reverses a previous decrease recognized in profit or loss is recognized in profit or loss to the extent of that previous decrease. Decreases that reverse amounts previously recognized in the revaluation reserve are recognized in other comprehensive income.

The following table discloses the deployment of Bitcoin on the Company's lightning network with comparative numbers from the prior year:

	2027 Q1	2026 Q1
BTC Held end of period	267.15	161.03
BTC deployed in Lightning channels	98.21	58.11
CAD value of channel capacity	\$ 9,898,395	\$ 8,328,107
Lightning nodes active (avg.)	19	23
BTC routed during quarter	411.69	140.48
Transactions forwarded	365,252	181,286
Routing-fee revenue	\$ 2,110	\$ 895
LSP invoice revenue	\$ 717	\$ 2,090
On-chain fees paid	\$ 233	\$ 8,772
LN Transaction costs	\$ 1,398	\$ -
LSP transaction costs	\$ 34	\$ 104

In Q1 FY-2027, the Company generated \$717 (Q1 FY-2026 – \$2,090) in LSP invoice revenue from onboarding new partners and managing Lightning channels. Routing-fee revenue increased to \$2,110 (Q1 FY-2026 – \$895), reflecting higher transaction volumes and increased Bitcoin routed through the Lightning Network. The increase in routing-fee revenue was more than offset by the decline in LSP invoice revenue, resulting in total routing and LSP invoice revenue of \$2,827 for Q1 FY-2027, compared with \$2,985 in Q1 FY-2026. During the quarter, the Company continued to optimize channel liquidity and implement advanced yield strategies designed to improve network utilization and support long-term revenue growth.

During Q1 FY-2027, the Company incurred \$233 in on-chain fees, \$1,398 in Lightning Network transaction costs and \$34 in LSP transaction costs.

The following table outlines the proposed use of the proceeds of the offering completed on July 10, 2025, along with the amounts expended:

Activity or Nature of Expenditure	Proposed use of Net Proceeds	Approximate proceeds used as of May 31, 2026	Variance	Comments
Development of the Lightning Network Platform	\$ 650,000	\$ 650,000	\$ -	The Company fulfilled expected G&A spending.
General and administrative expenses	\$ 540,000	\$ 540,000	\$ -	The Company fulfilled expected G&A spending.
Purchase BTC	\$ 8,000,000	\$ 8,000,000	\$ -	The Company purchased ~50 BTC.
Share issuance costs	\$ 810,000	\$ 810,000	\$ -	Share issuance costs paid.
Total	\$ 10,000,000	\$ 10,000,000	\$ -	

Management confirms that there are no material variances between the intended and actual uses of proceeds to date.

The following table outlines the proposed use of the proceeds of the offering completed on July 14, 2025, along with the amounts expended:

Activity or Nature of Expenditure	Proposed use of Net Proceeds	Approximate proceeds used as of May 31, 2026	Variance	Comments
General and administrative expenses	\$ 120,000	\$ 120,000	\$ -	The Company fulfilled expected G&A spending.
Purchase BTC	\$ 2,000,000	\$ 2,000,000	\$ -	The Company purchased ~12 BTC.
Share issuance costs	\$ 180,000	\$ 180,000	\$ -	Share issuance costs paid.
Total	\$ 2,300,000	\$ 2,300,000	\$ -	

Management confirms that there are no material variances between the intended and actual uses of proceeds to date.

The following table outlines the proposed use of the proceeds of the offering completed on September 24, 2025, along with the amounts expended:

Activity or Nature of Expenditure	Proposed use of Net Proceeds	Approximate proceeds used as of May 31, 2026	Variance	Comments
General and administrative expenses	\$ 250,000	\$ 250,000	\$ -	The Company fulfilled expected G&A spending.
Purchase BTC	\$ 2,100,000	\$ 2,100,000	\$ -	The Company purchased ~14 BTC.
Share issuance costs	\$ 150,000	\$ 150,000	\$ -	Share issuance costs paid.
Total	\$ 2,500,000	\$ 2,500,000	\$ -	

Management confirms that there are no material variances between the intended and actual uses of proceeds to date.

The following table outlines the proposed use of the proceeds of the offering completed on January 20, 2026, along with the amounts expended:

Activity or Nature of Expenditure	Proposed use of Net Proceeds	Approximate proceeds used as of May 31, 2026	Variance	Comments
Development of the Lightning Network Platform	\$ 385,000	\$ 158,800	\$ 226,200	The Company is on track with expected development spending.
General and administrative expenses	\$ 600,000	\$ 73,100	\$ 526,900	The Company is on track with expected G&A spending.
Purchase BTC	\$ 1,000,000	\$ 1,000,000	\$ -	The Company purchased ~9.5 BTC.
Share issuance costs	\$ 15,000	\$ 15,000	\$ -	Share issuance costs paid.
Total	\$ 2,000,000	\$ 1,246,900	\$ 753,100	

Management confirms that there are no material variances between the intended and actual uses of proceeds to date.

The following table shows the current quarter's loss/earning by each company in the consolidated group to better illustrate the change in the organization.

	Three months ended May 31, 2026				Total
	LQWD Technologies	LQWD Financial	Skyrun	Other	
Income (loss) for the period	\$ 1,473,643	\$ (148,759)	\$ (3,901)	\$108	\$1,321,091

LIQUIDITY AND CAPITAL RESOURCES

	2027 Q1	2026 Q4	2026 Q1
Cash and cash equivalents	\$ 2,357,869	\$ 3,125,455	\$ 1,329,749
Working capital	\$ 29,324,114	\$ 27,000,311	\$ 24,435,269

As of the date of this report, management believes the Company has sufficient resources to fund its planned operations and capital expenditures for at least the next 12 months based on its current operating plan. Management estimates the Company's annual cash requirements to be approximately \$2.0 million to \$2.5 million. At May 31, 2026, the Company held \$2,357,869 in cash and cash equivalents and \$26,924,364 in digital currencies (Bitcoin), providing significant financial resources to support its operations. Although Bitcoin is classified as a current asset and may be sold in liquid markets, its Canadian-dollar value is subject to significant fluctuations resulting from changes in both the market price of Bitcoin and the CAD/USD exchange rate. Management continually monitors the Company's liquidity and capital requirements and believes its existing resources are sufficient to execute its current business strategy. Should the Company pursue material opportunities beyond its current operating plan, additional financing may be required, which would most likely be obtained through equity financing.

	2027 Q1	2026 Q4	2026 Q1
Issued and outstanding shares	32,332,158	31,863,408	21,915,218
Issued and outstanding shares, fully diluted	42,454,993	42,811,965	30,843,132

During the three-month period ended May 31, 2026, no options were exercised, and 468,750 warrants, redeemable for \$0.85 per share were exercised for gross proceeds of \$398,437.

During the year ended February 28, 2026, 16,666 options, exercisable at \$1.152 per share, 75,000 options, exercisable at \$0.97 per share, and 100,000 options, exercisable at \$0.60 per share, were exercised for gross proceeds of \$151,949.

During the year ended February 28, 2026, 1,312,500 warrants, exercisable at \$0.60 per share, 691,846 warrants, exercisable at \$0.85 per share, 1,123,846 warrants exercisable at \$0.90 per share, 32,000 warrants, exercisable at \$1.00 per share, and 402,166 warrants, exercisable at \$2.00 per share, were exercised for gross proceeds of \$3,223,363.

On January 20, 2026, the Company issued 2,000,000 units for gross proceeds of \$2,000,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$1.25 per share at any time up to 24 months following the closing date of the private placement.

On September 24, 2025, the Company issued 1,666,667 units for gross proceeds of approximately \$2,500,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$2.00 per share at any time up to 12 months following the closing date of the private placement.

On July 14, 2025, the Company issued 560,975 common shares for gross proceeds of approximately \$2,300,000.

On July 10, 2025, the Company issued 2,439,024 common shares for gross proceeds of approximately \$10,000,000.

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

RELATED PARTY TRANSACTIONS

The Company's key management personnel consist of the Chief Executive Officer, Chief Financial Officer, President, Chief Technology Officer, Corporate Secretary and the members of the Board of Directors. All amounts are stated in Canadian dollars and were measured at the exchange amount, being the consideration established and agreed to by the related parties in the normal course of operations.

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

	2027 Q1	2026 Q4	2026 Q1
Consulting	\$ 38,052	\$ 37,700	\$ -
Research and development	39,000	39,000	39,000
Salaries	94,500	99,500	36,000
Share-based compensation	484,134	553,468	53,292
	\$ 655,686	\$ 729,668	\$ 128,292

The breakdown for the related party transactions during the three months ended May 31, 2026, are as follows:

Related Party	Role	Research and development	Consulting	Salaries	Share-based compensation	Total
Shone Anstey	CEO	\$ -	\$ -	\$ 30,000	\$ 71,488	\$ 101,488
Barry MacNeil	CFO	-	-	19,500	35,093	54,593
Aziz Pulatov	CTO	39,000	-	-	29,231	68,231
Matthew Whitcomb	VP Capital Markets and Corporate Development	-	38,052	-	116,925	154,977
Giuseppe (Pino) Perone	Corporate Secretary	-	-	15,000	90,950	105,950
Ashley Garnot	President/Director	-	-	30,000	19,538	49,538
Kim Evans	Director	-	-	-	56,509	56,509
Samuel Mateer	Director	-	-	-	64,400	64,400
		\$ 39,000	\$ 38,052	\$ 94,500	\$ 484,134	\$ 655,686

At May 31, 2026, \$4,785 (2025 - \$nil) is owing to key management personnel and is included in accounts payable and accrued liabilities.

During the period ended May 31, 2026, the Company was charged \$3,150 (2025 - \$3,150) by TAG Oil Ltd. a Canadian related company with similar key management personnel for office rent. At May 31, 2026, \$nil (2025 - \$nil) is owing to the Canadian related company with similar key management personnel and is included in accounts payable and accrued liabilities.

SHARE CAPITAL

- a. At May 31, 2026, there were 32,332,158 common shares, 2,530,334 stock options, and 7,592,501 warrants outstanding.
- b. At July 30, 2026, there were 32,332,158 common shares, 2,530,334 stock options, and 6,994,667 warrants outstanding.

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

SUBSEQUENT EVENTS

Subsequent to May 31, 2026, 597,834 share purchase warrants exercisable at \$2.00 per share expired unexercised on June 23, 2026.

CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to support the continued development of its business while maintaining investor, creditor and market confidence. The Company defines its capital as shareholders' equity and working capital.

The Board of Directors does not establish quantitative return-on-capital criteria for management, but instead relies on the expertise of management to support the long-term development of the business. If adjustments to the capital structure are required, the Company may consider issuing additional equity, raising debt financing, or revising its capital investment and operating plans.

Management reviews its capital management strategy on an ongoing basis and believes that its current approach is appropriate given the Company's stage of development and business objectives. At May 31, 2026, the Company had working capital of \$29,324,114, including \$2,357,869 in cash and cash equivalents and \$26,924,364 in digital currencies. The Company believes its existing capital resources are sufficient to fund its planned operations and capital requirements for at least the next twelve months.

The Company is not subject to any externally imposed capital requirements. The Company has not paid or declared dividends since its incorporation and does not currently anticipate paying dividends in the foreseeable future, as available funds are expected to be retained to support the continued growth and development of the business.

COMPETITION

The Company operates in the rapidly evolving digital asset and financial technology sectors, which are highly competitive and characterized by ongoing technological innovation. The Company competes with other participants in the Bitcoin Lightning Network ecosystem, including providers of Lightning infrastructure, liquidity services, payment routing, node management, digital asset financial services and other financial technology companies seeking to facilitate Bitcoin transactions and payments.

The Company's ability to compete successfully depends on a number of factors, including its ability to develop and maintain reliable network infrastructure, effectively deploy Bitcoin liquidity, introduce innovative products and services, attract and retain strategic partners and customers, and respond to technological developments and changing market conditions. As adoption of the Lightning Network continues to evolve, competitors with greater financial, technical or operational resources may develop competing technologies or services that could reduce demand for the Company's offerings.

The Company also competes for qualified technical personnel, strategic partnerships and access to capital. There can be no assurance that the Company will be able to maintain or expand its competitive position or successfully adapt to changes in the digital asset industry.

From time to time, the Company may evaluate strategic acquisitions, investments or other business opportunities that complement its Bitcoin treasury strategy, enhance cash flow, expand its Lightning Network infrastructure or otherwise create shareholder value. There can be no assurance that suitable opportunities will be identified or completed, or that any completed transaction will achieve the anticipated strategic or financial benefits.

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 stock-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 and bank deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of accounts receivable, cash and cash equivalents and restricted cash represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. As of May 31, 2025, 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.

As at May 31, 2026, the contractual maturities of financial liabilities were as follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year
Accounts payable and accrued liabilities	\$70,957	\$70,957	\$70,957

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 and Digital Assets

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 classifications of the Company's financial instruments are as follows:

	Fair Value Level	May 31, 2026	February 28, 2026
		\$	\$
<i>Financial assets:</i>			
Digital currencies	2	26,924,364	24,018,223

The Company's digital currencies are classified as level 2. During the three-month period ended May 31, 2026 and year ended February 28, 2026, there were no transfers between level 1, level 2, and level 3.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, and 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 credit risk. The Company's exposure to foreign currency risk arising from its day-to-day operating activities is limited; however, the Company has significant exposure to foreign exchange risk relating to its Bitcoin holdings, which are denominated in U.S. dollars. As a result, the Canadian-dollar value of the Company's digital currencies is affected by both fluctuations in the market price of Bitcoin and changes in the CAD/USD exchange rate. The Company is also exposed to interest rate risk on its cash and cash equivalents. Management believes that the carrying values of the Company's financial instruments approximate their fair values unless otherwise noted.

DIGITAL CURRENCY AND RISK MANAGEMENT

Digital currencies are measured based on their fair values, determined using the daily weighted close price for the digital currency on coinmarketcap.com.

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is affected by the current and future market price of digital currencies; in addition, the Company may not be able to liquidate its inventory of digital currencies at its desired price if required. A decline in the market prices for digital currencies could negatively impact the Company's future operations. The Company from time to time converts its digital currency but has not entered into any hedge transactions.

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performance of digital currencies are not indicative of their future price performance. The Company's digital currencies consist solely of Bitcoin. The impact of a 25% variance in the price of this digital currency on the Company's earnings before tax, based on their closing prices on May 31, 2026, would be \$6,731,091.

RISKS

The Company operates a technology business focused on developing infrastructure and liquidity services for the Bitcoin Lightning Network. As with any emerging technology business, the Company is subject to a number of business, operational and financial risks that could adversely affect its business, financial condition and operating results.

The Company currently generates limited operating revenue from its Lightning Network activities and continues to invest in personnel, technology development and network expansion. Although management believes the Company has sufficient financial resources to fund its current operating plan for at least the next 12 months, there can be no assurance that the Company's business will generate sufficient operating cash flows or that additional financing, if required, will be available on acceptable terms or at all.

A significant portion of the Company's assets consists of Bitcoin. Accordingly, the Company's financial position and reported operating results are subject to fluctuations in the market price of Bitcoin and changes in the Canadian-dollar/U.S.-dollar exchange rate. These factors may result in significant volatility in the carrying value of the Company's digital assets, working capital and the gains or losses recognized in its financial statements.

The Company's ability to increase revenue depends on continued adoption and utilization of the Bitcoin Lightning Network, growth in transaction volumes, the successful deployment of channel liquidity and the Company's ability to monetize its network infrastructure. There can be no assurance that adoption of the Lightning Network or demand for the Company's services will occur at the pace anticipated by management.

The Company is also exposed to risks associated with operating digital asset infrastructure, including cybersecurity threats, software defects, system outages, communication failures, operational errors, fraud, and the loss, theft or compromise of private keys. While the Company maintains internal controls and security procedures designed to mitigate these risks, no system can eliminate them entirely.

The digital asset industry continues to evolve rapidly and is subject to changing laws, regulations and regulatory interpretations in the jurisdictions in which the Company operates. Future regulatory developments relating to Bitcoin, digital assets, custody, anti-money laundering requirements, taxation or financial services could adversely affect the Company's operations, business model or financial condition.

The Company continually evaluates strategic opportunities that complement its business and Bitcoin treasury strategy. This may include acquisitions, mergers, investments or other transactions that increase the Company's Bitcoin holdings, enhance cash flow, expand its Lightning Network infrastructure or otherwise enhance shareholder value. Management will consider such opportunities only where they are strategically beneficial, financially attractive and complementary to the Company's existing business, with a preference for transactions that can be completed with minimal cash outlay. Depending on the nature and size of the opportunity, the Company may seek to complete a transaction following a successful financing or through other forms of consideration acceptable to the parties. There can be no assurance that suitable opportunities will be identified, that any required financing will be available on acceptable terms, that such transactions can be completed, or that any completed transaction will achieve the anticipated strategic or financial benefits.

The Company operates in a competitive environment that includes other Lightning Network infrastructure providers, digital asset service providers, payment technology companies and financial technology businesses. The Company's future success will depend on its ability to continue developing innovative products, maintain reliable network infrastructure, attract and retain customers, effectively deploy capital and retain key management and technical personnel.

The market price of the Company's common shares may be volatile due to changes in the market price of Bitcoin, financing activities, operating results, general economic conditions and investor sentiment toward the digital asset sector. Future equity financings, if required, may be dilutive to existing shareholders.

The factors identified above are not intended to represent a complete list of the risks faced by the Company. Management believes that the foregoing risks and uncertainties represent the principal risks currently affecting the Company's business; however, additional risks and uncertainties, including those currently unknown or considered immaterial at this time, may also adversely affect the Company's business, financial condition and operating results.

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.sedarplus.ca or on LQWD's website at www.lqwdtech.com.

FORWARD LOOKING STATEMENTS

The foregoing information contains forward-looking statements within the meaning of applicable securities laws. Forward-looking statements are statements that are not historical facts and often, but not always, can be identified by the use of words such as "plans", "expects", "does not expect", "is expected", "estimates", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases, or statements 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 that may cause the actual results, performance or achievements of LQWD to differ materially from those expressed or implied by such forward-looking information.

Forward-looking statements in this MD&A include, but are not limited to, statements regarding the Company's business strategy and growth initiatives; the continued development and expansion of its Lightning Network infrastructure and liquidity services; the adoption and utilization of the Bitcoin Lightning Network and the Company's products and services; growth in routing activity, transaction volumes and fee revenue; the development and commercialization of new technologies, including AI-enabled payment solutions; the Company's Bitcoin treasury management strategy; future acquisitions, investments or strategic opportunities that complement the Company's business or enhance shareholder value; the sufficiency of the Company's capital resources and expected funding requirements; and the Company's future financial performance, operating results and business prospects.

In making the forward-looking statements contained in this MD&A, the Company has applied certain assumptions that it believes are reasonable in the circumstances, including, without limitation, assumptions regarding continued adoption and growth of the Bitcoin Lightning Network; the Company's ability to successfully develop, operate and expand its technology platform; continued access to qualified personnel, strategic partners and service providers; the availability of financing, if required, on acceptable terms; the continued operation and security of the Bitcoin and Lightning Networks; and the absence of material adverse changes in economic, regulatory or market conditions.

Although the Company believes these assumptions are reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are subject to numerous risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such statements. These factors include, but are not limited to, changes in the market price of Bitcoin, fluctuations in foreign exchange rates, the pace of adoption of the Bitcoin Lightning Network, the Company's ability to generate revenue from its platform and services, cybersecurity risks, technology failures, changes in laws or regulations affecting digital assets, the availability of financing, general economic and market conditions, and the other risks described under the heading "Risks" in this MD&A.

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 the Company. Additional factors could cause actual results to differ materially from those anticipated, estimated or intended.

Because forward-looking information addresses future events and conditions, it involves inherent risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.