(FORMERLY SONORA GOLD & SILVER CORP.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2023

This Management's Discussion and Analysis ("MD&A") of BTQ Technologies Corp. (formerly Sonora Gold & Silver Corp.) ("BTQ", or the "Company") is for the three months ended March 31, 2023 and is dated May 15, 2023. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and corresponding notes for the three months ended March 31, 2023. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and all monetary amounts are expressed in Canadian dollars. The following comments may contain management estimates of anticipated future trends, activities, or results. These are not a guarantee of future performance since actual results could change based on other factors and variables beyond management control.

The management of the Company is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable. The Company's board of directors (the "Board") follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating, and internal control matters.

The reader is encouraged to review the Company's statutory filings on www.sedar.com.

DESCRIPTION OF BUSINESS AND OVERVIEW

BTQ is a British Columbia corporation founded by a group of experienced post-quantum cryptographers with an interest in addressing the urgent security threat that a large-scale universal quantum computer poses to the Bitcoin network. Bitcoin's store of value thesis - one that supports a crypto ecosystem of over $1 trillion in market capitalization - has several potential quantum attack vectors that could compromise the network. This paradigm shift requires a new direction in cryptography and blockchain design. BTQ is building a portfolio of intellectual property to safeguard the crypto asset class with energy efficient quantum processes and currently holds several patent applications for generating quantum algorithms. In addition to blockchain applications, the derived intellectual property the company is building covers a wide range of mission-critical applications, including defense, financial services, insurance, and IoT devices.

Quantum computers can take a very large integer and find out its prime factor extremely rapidly by using Shor's algorithm. Theoretically, a universal large scale quantum computer could be used to disrupt cryptocurrencies, break into digital wallets, and access and decrypt confidential communications. Ethereum and Algor, two of the most technologically advanced cryptocurrencies, announced plans to transition to post-quantum standards.

BTQ has strategically established a branch office in Taipei, Taiwan, home to the most advanced hardware and post-quantum ecosystems. The Taipei engineering office will focus on research and development related to post-quantum cryptography, eco-friendly proof of work mining, and formal verification within smart contracts platforms.

BTQ is listed on the Cboe Canada Exchange (previously known as the NEO Exchange) (the "NEO") under the symbol "BTQ", the OTCQX under the symbol "BTQQF" and the Frankfurt Stock Exchange under the symbol "NG3".

<u>Acquisition</u>

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On December 31, 2021 (as amended on April 29, 2022, July 30, 2022, and November 29, 2022), the Company entered into a share exchange agreement with BTQ AG (the "Acquisition"). BTQ AG was incorporated in the Principality of Liechtenstein on March 26, 2021 by a group of experienced post-quantum cryptographers with an interest in addressing the urgent security threat that a large-scale universal quantum computer poses to the Bitcoin network.

In connection with the Acquisition, the Company completed a private placement (the "Offering") of 18,001,250 subscription receipts at a price of $0.40 per subscription receipt, for gross proceeds of $7,200,500, with each subscription receipt automatically converting with no additional consideration into one post-Consolidation Share (each as defined below) concurrent with the closing of the Acquisition.

On February 17, 2023, the Company closed the Acquisition resulting in the issuance of 92,000,000 post-Consolidation Shares to the BTQ AG shareholders. Concurrent with the closing, the Company changed its name from Sonora Gold & Silver Corp. to BTQ Technologies Corp. and completed a consolidation (the "Consolidation") of its common shares on the basis of ten pre-Consolidation shares to one post-Consolidation share (each, a "Share"). Immediately following the Consolidation, and excluding those Shares issued pursuant to the Acquisition or the Offering, the former securityholders of SOC held had an aggregate of 8,747,629 Shares and 350,000 stock options in the Company. All Share amounts have been retroactively to reflect the Consolidation restated for all periods presented.

On closing of the Acquisition, the gross proceeds of $7,200,500 from the Offering were released from escrow and each subscription receipt was converted into one Share. In connection with the Acquisition, the Company issued 2,500,000 Shares to finders as a success fee. In connection with the offering, the Company also paid $93,175 in finders' fees and issued 232,936 finders' warrants exercisable at an exercise price of $0.40 per Share for a period of two years.

As a condition of the Acquisition, the Company voluntarily delisted its Shares from the TSX-V and the Shares commenced trading on the NEO on February 21, 2023 under the symbol "BTQ".

DISCUSSION OF OPERATIONS

The following are operational highlights for the three months ended March 31, 2023 and events subsequent up until the date of this MD&A.

Product Updates

On March 2, 2023, the Company announced the alpha release of Keelung, a domain-specific language designed for fast, private, and secure application development. Based on research in the field of post-quantum zero-knowledge cryptography, Keelung will empower developers to create secure and reliable post-quantum zero-knowledge proofs without the need for specialized cryptography skills. Both Keelung and its compiler have been implemented in Haskell, enabling developers to produce high-level zero-knowledge proofs protected by Haskell's type system while leveraging Haskell's extensive ecosystem and tooling. Keelung will be 100% open-source, allowing for transparency, collaboration, and community-driven development.

The Company is currently working on the beta version of the product, and expects to release a final version of the product to the public during Q4 2023. The steps to complete prior to the Q4 rollout are as follows:

1) **Expand backend integration (Estimated Completion: Q3 2023)**: The Company is working on providing support for targeting multiple proving systems (e.g., PLONK-based, STARK-based).
2) **New language features (Estimated Completion: Q3 2023)**: The Company is working on additional features to support user-defined datatypes, unit comparison operators, as well as BigInt support.
3) **Optimizer improvements (Estimated Completion: Q4 2023)**: The Company is working on improving data structures for maintaining the equivalence relations between field elements, Booleans, and unsigned integers, as well as constraint extraction from those data structures. The company is also fine-tuning an algorithm for compressing and renumbering variables in a constraint system.
4) **Mobile witness generation (Estimated Completion: Q4 2023)**: The company is working on building support for generation of private/sensitive input to the circuit description.

The Company currently estimates that the release plan for Keelung is on schedule. As of May 15, 2023, the development of the product cost the company approximately C$65,000, which represents the salary of two software engineers assigned to the product. To complete the project by Q4 2023, the Company estimates it will spend an additional C$108,000, representing the salary for the aforementioned engineers.

Additional Listing Venues

Effective March 14, 2023, the Company began trading on the FSE under the symbol "NG3" (ISIN: CA0558691014 | WKN: A3D4V9). The Frankfurt Stock Exchange is the largest of the seven stock exchanges in Germany.

Effective May 9, 2023, the Company began trading on the OTCQX under the symbol "BTQQF". OTC Markets Group operates markets on which 12,000 U.S. and global securities trade with the OTCQX Best Market as the highest tier. Trading on OTCQX will enhance the visibility and accessibility of the Company to U.S. investors.

Investment Activity

On January 11, 2023, the Company's subsidiary, BTQ AG, invested US$10,000 in the form of a simple agreement for future equity into Cysic Inc. ("Cysic"), developer of hardware system designed to provide hardware acceleration systems for ZK-proof protocols. Cysic specializes in the ZK proof system which is a cryptographic technique that confirms whether a statement is true or false without revealing that statement's contents through their printed circuit board, enabling businesses to bring a well-scaled web3 to the masses.

This investment is highly strategic as Cysic's business model is highly synergetic and complementary to BTQ's current offerings and research in the Zero-Knowledge space. The shares issued to BTQ AG subsequently converted into standard preferred stock after Cysic announced a US$6 million seed round led by Polychain Capital in February 2023.

Business Development Activity

On March 2-3, 2023, representatives of the Company attended the Quantum Beach conference in Miami in order to meet with companies, investors, and potential partners across the quantum technologies industry. Mathieu Gauthier, Head of Corporate Development, spoke on the quantum security panel, alongside other industry executives from leading companies in the post-quantum security space, as well as senior government officials.

On April 24, 2023, Chris Tam, Head of Partnerships at the Company, spoke at ETHTaipei. The talk, titled "The Future of Zero-Knowledge: Challenges, Advancements, and Tools for Developing Post-Quantum zk-SNARKs," examined the challenges and successes of using post-quantum proving systems. The presentation also examined the strengths, weaknesses, and trends of arithmetic circuit backends such as R1CS, PLONK, and AIR, while introducing tools to transition towards developing post-quantum zk-SNARKs. This presentation reinforced the Company's commitment to advancing the blockchain and quantum technology industry.

On May 1, 2023, the Company was informed that it was the recipient of a US$10,000 grant from the Stellar Community Fund. The grant is specifically aimed at funding the Company's research in building an Efficient Scaling Mechanism for Lattice-Based Post-Quantum Signatures. The Stellar Community Fund ("SCF") is an open-application awards program that draws on community input to support developers and startups building on Stellar and Soroban. The Stellar Blockchain network is a distributed ledger used to transmit digital currencies and has a market cap of over US$2 billion.

On May 1, 2023, the Company secured office space at the Bentall II Tower located at 555 Burrard Street in Downtown Vancouver, BC. The company is leasing this office space from WeWork at a monthly rate of C$3,180 per month for a total commitment of 12 months. This additional office space will be used for meetings with investors and potential clients, and for the hiring of both technical and non-technical personnel in Canada.

Media Coverage

On April 17, 2023, the Company was covered by CoinDesk for its innovative approach to quantum-safe encryption technology, which has the potential to revolutionize data security in blockchain applications and adjacent industries, including finance, healthcare, and government. With over 10 million website visits and 1.6 million podcast downloads each month, CoinDesk is the leading source of news on cryptocurrency and blockchain, covering breaking news and providing in-depth analyses on the next generation of investing and the future of money.

Trends

Quantum Computing

According to McKinsey & Company, the quantum technology market will be valued at over $106 billion by 2040[1], with the bulk of the value projected to come from quantum computing as opposed to quantum sensing and quantum communications. The quantum security industry sits within quantum computing and is a rapidly growing field that focuses on developing secure cryptographic solutions for the age of quantum computing. As quantum computers become more powerful, they will become increasingly capable of breaking traditional cryptographic systems, creating a need for even more robust and advanced quantum-resistant solutions. Traditional cryptographic methods are at risk of being broken, which will have serious implications for national security, financial institutions, and other industries that rely on secure communication and data storage. Estimates of when a commercial quantum computer will hit the market vary, however, last year, IBM unveiled the Osprey (433 qubits) and updated its road map to develop a

[1] https://www.mckinsey.com/featured-insights/the-rise-of-quantum-computing

4,000+ qubit processor in 2025[2], indicating that these super computers will be available in the near future.

In addition to private sector funding, Government bodies around the world are also investing large sums of capital into quantum technologies. At $15.3 billion, China leads the way in publicly announced quantum funding initiatives, followed by the EU at $8.4 billion, USA at $3.7 billion, Japan at $1.8 billion, UK at $1.3 billion, Canada at $1.1 billion, and several others between $0.1 billion and $1.0 billion[3].

Overall, the quantum security industry is a rapidly evolving field that will continue to see significant growth and development in the coming years. As businesses and organizations seek to protect their data from the threat of quantum computing, the need for effective and innovative quantum-resistant security solutions will only continue to increase. Investors are recognizing this with about two-thirds, or 68 percent, of all QT startup investments since 2001 having occurred in 2021 and 2022[4].

Post-Quantum Cryptography

One of the main trends in the quantum security industry is the development of post-quantum cryptography ("PQC") algorithms. PQC algorithms are designed to be resistant to attacks from quantum computers, making them a crucial component of quantum-resistant security systems. Many organizations, including government agencies and financial institutions, are already investing in PQC research and development to ensure the security of their sensitive data.

A key driver in the development of the PQC industry is The National Institute of Standards and Technology ("NIST"), a U.S. Department of Commerce agency which sets the standards for businesses and other organizations to secure sensitive data and protect critical infrastructure[5]. NIST compliance standards must be met by anyone who processes, stores, or transmits sensitive information for the Department of Defense, General Services Administration, NASA, and other government agencies, and is largely seen as the de facto standard body to make cryptographic standards for the entire world.

In 2016, NIST initiated a process to solicit, evaluate, and standardize one or more quantum-resistant public-key cryptographic algorithms. These new cryptography standards will specify additional digital signature and public-key encryption algorithm(s) which are capable of protecting sensitive information well into the foreseeable future, including after the advent of quantum computers. In 2022, NIST officially announced the standardized algorithms from Round 3 of this PQC competition. This was a landmark milestone as government agencies and businesses had been waiting nearly six years for a clear direction as to which algorithms are trustworthy. PQC algorithms are much larger than their classical counterparts. For example, even the smallest NIST-approved digital signature algorithm is over 10x larger than the current Elliptic Curve Digital Signature Algorithm[6]. This is particularly problematic for distributed ledgers where each full node keeps an entire record of all activities on the ledger. If a blockchain like Bitcoin and Ethereum were to adopt the newly standardized PQC algorithms today, the size of both chains would have to be increased to an unmanageable extent.

[2] https://newsroom.ibm.com/2022-11-09-IBM-Unveils-400-Qubit-Plus-Quantum-Processor-and-Next-Generation-IBM-Quantum-System-Two
[3] https://www.mckinsey.com/~/media/mckinsey/business%20functions/mckinsey%20digital/our%20insights/quantum%20technology%20sees%20record%20investments%20progress%20on%20talent%20gap/quantum-technology-monitor-april-2023.pdf
[4] https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/quantum-technology-sees-record-investments-progress-on-talent-gap
[5] https://www.btq.com/en/blog/blockchain-security
[6] https://falcon-sign.info/

Competition and Market Participants

Generally, BTQ differentiates itself from its competitors with its work at the intersection of post-quantum cryptography and blockchain. The Company works on developing next-generation cryptographic primitives like zero-knowledge cryptography to achieve advanced security and efficiency, which is novel in the industry.

Large publicly traded quantum companies exist in the space, including: D-Wave Systems (NYSE: QBTS), IONQ (NYSE: IONQ), Arqit Quantum (NASDAQ: ARQQ). However, these companies are not direct competitors as their main goal is to build a commercial quantum computer with real-world useability. These companies are capital intensive and well-funded by both institutional investors and governments and their valuations range from approximately US$50 million to over US$1 billion.

With a surge in funding and general investor interest and excitement in the industry, several companies are emerging in the post-quantum security space. There are various companies that try to tackle the same global problem as BTQ: getting today's infrastructure secured for the quantum revolution, however, the approaches vary widely based on cryptographic techniques, as well as end uses served and therefore is not a winner takes all market. In fact, other companies operating directly in the space may offer potential collaboration opportunities. Below is a non-exhaustive list of indirect competitors to BTQ:

PQ Shield, for example, describes itself as a PQC company contributing to the global standards and core technologies to power the future security layer of the world's leading organizations. Its quantum-secure cryptographic solutions work with companies' legacy systems to protect sensitive data now and for years to come. The company mainly serves the defense & infrastructure, IoT and OEM markets. PQ Shield raised $20 million as part of their Series A round in January 2022[7].

Additionally, Isara provides security solutions specializing in cryptographic risk management and in creating crypto-agile and quantum-safe security solutions for today's information technology ecosystems. The company broadly targets enterprises and governments. Isara raised over $10 million in 2018 to fund its R&D efforts[8].

In the blockchain space, large technology companies are building their own secured blockchains. For example, IBM offers blockchain services that help secure multiple aspects of critical industries like supply chains, banking, healthcare, and government. The goal of these blockchains is usually to streamline and scale processes in a secure manner[9].

SandboxAQ, an enterprise SaaS company stemming from Alphabet (previously Google), is another key player in the space. Sandbox provides solutions at the nexus of AI and Quantum technology to address some of the world's most challenging problems. The company's core team and inspiration formed at Alphabet Inc., emerging as an independent, growth-capital-backed company in 2022. The company aims to protect the public sector, life sciences & healthcare, financial services, cybersecurity, material science & manufacturing, and global navigation[10].

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[7] https://www.prnewswire.com/news-releases/pqshield-collaborates-with-nccoe-and-industry-to-ease-the-real-world-implementation-of-quantum-resistant-cryptography-301794688.html
[8] https://www.isara.com/company/newsroom/shasta-ventures-investment.html
[9] https://www.ibm.com/blockchain
[10] https://www.sandboxaq.com/solutions/security-suite

Investor Awareness

During the three months ended March 31, 2023, the Company did not incur any investor relations costs. Effective April 11, 2023, the Company has retained Venture North Capital Inc. ("Venture North") for strategic marketing, investor relations and capital markets communications services. Venture North will arrange and attend meetings with professional investors, maintain ongoing contact and broaden relationships with the professional investment community on the Company's behalf.

The agreement with Venture North has an initial trial term of 4 months and, if renewed, will be automatically renewed monthly until such time it is terminated on 30 days' notice. Pursuant to the terms of the consulting agreement, the Company will pay a monthly cash fee and has agreed to issue 500,000 options to purchase common shares in the capital of the Company ("Common Shares"), with an exercise price at $0.40 per common share. Of the options issued to Venture North, 125,000 shall vest immediately following the 4-month trial and an additional 125,000 options quarterly.

Reverse Takeover

In accordance with IFRS 3, business combinations, the substance of the Acquisition is a reverse takeover as the shareholders of BTQ AG held 75.88% of the resulting issuer shares and SOC's shareholders held 24.12% of the resulting issuer shares. Accordingly, for accounting purposes, BTQ AG was treated as the accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As BTQ AG was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. The Company's results of operations have been included from February 17, 2023.

As the Acquisition did not constitute a business combination, the reverse takeover transaction was accounted for in accordance with IFRS 2, share-based payments, whereby equity instruments issued were recognized at fair value and allocated to the net assets acquired (liabilities assumed). Any difference is the value of the listing which was expensed on completion of the Acquisition.

The consideration paid was the fair value of common shares issued and stock options granted by BTQ AG which had a fair value of $2,666,703. These are the 8,747,629 shares retained by the SOC shareholders. The fair value of the 8,747,629 common shares was determined based on the pricing of the Offering with a value of CAD$0.40 ($0.30) being allocated to each Share. The purchase price was allocated to the net assets acquired as follows:

	$
Fair value of the Company's shares (8,747,629 common shares)	3,499,051
Fair value of 350,000 stock options of the Company outstanding	97,532
Fair value of 2,500,000 common shares issued as a finder's fee	1,000,000
Total consideration	4,596,583
Less: fair value of identifiable assets and liabilities acquired:	

Cash	16,562
Prepaid expenses	25,308
Restricted cash	2,875
Accounts payable and accrued liabilities	(455,077)
Net liabilities	(410,332)
Listing costs	5,006,915

RESULTS OF OPERATIONS

The net loss for the three months ended March 31, 2023 was $6,932,936 (2022: $227,671). The increase in net loss year-over-year is mostly due to listing costs of $5,006,915 relating to the Transaction and the Company's higher level of activity.

General and administrative of $129,653 (2022: $37,594)
The increase is due to the Company's growth and higher overall activity during the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

Research and development of $433,928 (2022: 40,561)
The increase is due to the Company incurring higher research and development and technical services due to the Company's growth and higher overall activity during the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

Professional fees of $139,273 (2022: ($14,018))
The increase is due to the Company incurring higher accounting, audit, and legal fees during the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

Wages and benefits of $610,314 (2022: $158513)
As the Company has grown in size and activity, it has hired more employees and independent contractors.

Share-based compensation of $282,545 (2022: $nil)
The increase in share-based compensation is due to the Company granting 7,485,000 stock options during the three months ended March 31, 2023 compared to no options being granted during the three months ended March 31, 2022.

Transfer agent and regulatory fees of $199,790 (2022: $nil)
The increase is due to incurring various filing and transfer agent costs associated with being a publicly listed entity as compared to no such costs during the three months ended March 31, 2022, when BTQ AG was private.

Listing costs of $5,006,915 (2022: $nil)
Listing costs relates to the Transaction. See Reverse Takeover section above.

Use of Available Funds

In connection with the Acquisition and the listing of the Shares on the NEO, the Company filed a listing statement dated February 17, 2023 under its SEDAR profile at www.sedar.com. Below is a reconciliation of the expected use of available funds against the actual use of such funds as at March 31, 2023:

Item	Use of Available Funds $	Actual Use of Available Proceeds as at March 31, 2023 $
Transaction costs related to the Acquisition	700,000	654,552
Research contracts	750,000	–
Software development	1,632,885	433,928
Hardware development	2,582,885	–
Sales and business development	1,500,000	–
General and administrative costs estimated for 12-months	1,830,759	260,935
Unallocated working capital	200,000	–
Total	**9,196,529**	**1,349,415**

SUMMARY OF QUARTERLY RESULTS

The following table sets out financial information for the past eight quarters:

	Three Months Ended ($)			
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Total revenues	–	–	–	–-
Net loss	(6,932,936)	(592,043)	(491,938)	(672,498)
Net loss per share, basic and diluted	(0.07)	(0.01)	(0.01)	(0.01)

	Three Months Ended ($)			
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Total revenues	–	–	–	–
Net loss	(227,671)	(79,316)	(86,606)	(92,061)
Net loss per share, basic and diluted	–	–	–	–

The net loss for the quarter ended March 31, 2023 includes listing costs of $5,005,915 relating to the Transaction and increased level of activity as BTQ became public as a subsidiary of the Company with a concurrent financing effective February 17, 2023.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2023, the Company had cash of $7,616,670 and a working capital of $6,559,553 compared to cash of $2,058,214 and working capital of 1,423,380 as at December 31, 2022.The increase in working capital was due to the gross proceeds of $7,200,500 received from the subscription receipts financing.

The Company's operations used $1,537,760 during the three months ended March 31, 2023 (2022: $271,242) with $6,578 (2022: $13,948) used in investing activities. The cash requirements during the first quarter of fiscal 2023 were funded from the net proceeds from share issuances of $7,107,326.

The Company's aggregate operating, investing, and financing activities during the three months ended March 31, 2023 resulted in an increase in its cash balance of $5,558,456.

On December 1, 2022, the Company's subsidiary, BTQ AG, entered into a loan agreement with MEV Trading Inc. for an unsecured loan from BTQ AG to MEV Trading Inc. in the amount of US$1,000,000. In consideration for the loan, MEV Trading Inc. shall issue a warrant to BTQ AG to purchase shares of the MEV Trading Inc. non-voting stock equal to 10% of loan amount. The loan is interest-free and the principal is due and payable on or before June 30, 2023.

While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remain material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern. The Company's accounts payable and accrued liabilities are due in the short term.

The directors regularly review cash flow forecasts to determine whether the Company has sufficient cash reserves to meet future working capital requirements and discretionary business development opportunities.

The condensed interim consolidated financial statements are prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Company, including the current level of resources, expected revenues and securing additional funding from investors.

OFF BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements to which the Company is committed.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer ("CEO") and chief financial officer ("CFO") of the Company. Key management personnel compensation during the three months ended March 31, 2023 and 2022 was comprised of the following:

	Three Months Ended March 31, 2023	2022
	$	$
Wages and salaries	42,811	–
Share-based payments	48,941	–
	94,752	–

As at March 31, 2023, the Company owed $25,556 (December 31, 2022 - $27,264) to Olivier Roussy Newton, the CEO of the Company, which is non-interest bearing, unsecured, and due on demand.

As at March 31, 2023, the Company owed $3,098 (December 31, 2022 - $3,100) to a company controlled by the father of Olivier Roussy Newton, the CEO of the Company, which is non-interest bearing, unsecured, and due on demand.

ACCOUNTING POLICIES

The Company uses the same accounting policies and methods of computation as in the financial statements for the year ended December 31, 2022.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2023, and have not been early adopted in preparing the condensed interim consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

Use of Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to the useful lives and recoverability of intangible assets, recoverability of investments, and fair value of share-based compensation. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from our company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful lives of intangible assets are assessed as either finite or infinite. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method as appropriate, and are treated as a change in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of loss.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at March 31, 2023 and December 31, 2022 as follows:

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, March 31, 2023 $
Investments	–	–	1,434,498	1,434,498

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2022 $

Investments	–	–	1,422,120	1,422,120

The fair values of the Company's other financial instruments, which include cash, restricted cash, and accounts payable and accrued liabilities, and due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and loan receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company expects the loan receivable to be repaid on time, but cannot assure this with certainty. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in a foreign currency.

The Company's subsidiary has certain monetary financial instruments denominated in U.S. dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

The following table indicates the impact of foreign currency exchange risk on net working capital as at March 31, 2023. The table below also provides a sensitivity analysis of a 10% strengthening of the foreign currency against functional currencies identified which would have increased (decreased) the Company's net loss by the amounts shown in the table below. A 10% weakening of the foreign currency against the functional currencies would have had the equal but opposite effect as at March 31, 2023.

	US$
Cash	372,705
Trade and other payables	(258,407)
Total foreign currency financial assets and liabilities	114,298
Impact of a 10% strengthening or weakening of foreign exchange rate	14,298

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company relies on raising debt or equity financing in a timely manner.

The following amounts are the contractual maturities of financial liabilities as at March 31, 2023 and December 31, 2022:

As at March 31, 2023	Total $	Within 1 year $	Within 2-5 years $
Accounts payable and accrued liabilities	1,170,639	1,170,639	–
Due to related parties	28,654	28,654	–
Total	1,199,293	1,199,293	–

As at December 31, 2022	Total $	Within 1 year $	Within 2-5 years $
Accounts payable and accrued liabilities	740,746	740,746	–
Due to related parties	30,364	30,364	–
Total	771,110	771,110	–

DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares (the "Shares") without par value.

As of the date of this report, the Company had 121,248,879 common shares, 232,936 share purchase warrants outstanding, 7,485,000 stock options outstanding and 3,600,000 RSUs outstanding.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have each delivered a certificate in the 52-109F2 - IPO/RTO form with respect to the financial information contained in the condensed interim consolidated financial statements for the three months ended March 31, 2023 and this accompanying MD&A (together, the "Interim Filings").

For further information the reader should refer to certificates filed by the Company with the Interim and Annual Filings on SEDAR at www.sedar.com.

RISK FACTORS

The current business of BTQ AG has been the business of the Company since February 17, 2023. The following is a summary of certain risk factors relating to the business. The risks presented below should not be considered exhaustive and may not be all of that the Company may face.

General Risks

The Company has a limited operating history

The Company has a limited history of operations and is in the early stage of development. As such, the Company will be subject to many risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenue. There is no assurance that the Company will achieve its operating goals. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. There can be no assurance that the Company will be able to earn material revenue or that any of its activities will generate positive cash flow.

The Company may require additional funds to finance its operations

Additional funds raised through debt or equity offerings may be needed to finance the Company's ongoing and future activities. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing could cause the Company to reduce or terminate its operations.

If additional funds are raised through further issuances of equity or securities convertible into equity, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of securities of the Company. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities.

The Company is subject to competition from other post-quantum encryption companies

The Company will compete with other post-quantum cryptography and technology businesses, including other businesses focused on applying post-quantum cryptography to blockchain.

The Company's compliance and risk management programs may not be effective

The Company's ability to comply with applicable laws and rules will be largely dependent on the establishment and maintenance of compliance, review, and reporting systems, as well as the ability to attract and retain qualified compliance and other risk-management personnel, as needed. The Company cannot provide any assurance that its compliance policies and procedures will be effective or that it will be successful in monitoring or evaluating its risks. If there is any alleged non-compliance with applicable laws or regulations, The Company could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages, restitution or other remedies, which could be significant. Any of these outcomes, individually or together, may materially and adversely affect the Company's reputation, financial condition and valuation, and the value of its shares.

Unexpected market disruptions may cause major losses for the Company

The Company may incur major losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that, in disrupted markets, many positions may become illiquid, making it difficult or impossible to close out positions against which markets are moving. Market disruptions caused by unexpected political, military and terrorist events, or other factors, may from time to time cause dramatic losses for the Company.

The ongoing COVID-19 pandemic may have an adverse effect of the business of the Company

The ongoing global pandemic involving the novel coronavirus, COVID-19, has caused companies and various governments to take measures and impose restrictions to combat the pandemic, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and such measures and restrictions have negatively affected asset values and increased volatility in the financial markets. At the time of this filing, it is impossible to predict the extent to which any worsening or continuation of the pandemic may negatively impact the Company's business, liquidity, capital resources and financial results.

The Company will be reliant on attracting and retaining skilled management and directors

The success of the Company will, in part, be dependent upon the skill, judgment, industry relationships and expertise of the Board and management. The loss of a director or key management personnel may materially and adversely affect the business of the Company. There can be no assurance that these individuals will continue to be employed by, or remain involved with, the Company for a particular period of time.

Market risk for securities

There can be no assurance that an active trading market for the Company's shares will be sustained. The market price for the Company's Shares may be subject to wide fluctuations. Factors such as government regulation, price fluctuations, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's securities. 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. Market forces may render it difficult or impossible for the Company to secure purchasers to purchase its securities at a price which will not lead to severe dilution to existing shareholders, or at all. In addition, shareholders may realize less than the original amount invested on dispositions of their shares during periods of such market price decline.

Foreign exchange risk

The Company is a Canadian company, and most of its expenses and fundraising is done in Canadian dollars, however, its operations are predominantly denominated in U.S. dollars. As a result, the Company is subject to foreign exchange risks relating to the relative value of the U.S. dollar as compared to the Canadian dollar. A decline in the U.S. dollar could result in a decrease in the real value of the Company's revenues and adversely impact financial performance.

Tax

No assurance can be given that new taxation rules will not be enacted or existing rules will not be applied in a manner which could result in the Company being subject to additional taxation or which could otherwise have a material adverse effect on the Company's results from operations and financial condition.

The Company may be subject to litigation

The Company may be subject to litigation arising out of, or related to, its operations. Damages claimed under such litigation may be material, and the outcome of such litigation may materially impact the Company's operations and the value of its shares. While the Company expects to assess the merits of any lawsuits and defend such lawsuits accordingly, it may be required to incur significant expense or devote significant financial resources to such defenses. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Company's operations.

Investment Risk

There is no assurance that the Company will achieve its investment objective. An investment may not earn any positive return and may result in the loss of some or all of the capital invested.

Ability to generate profits

There can be no assurance that the Company will generate net profits in future periods. Further, there can be no assurance that the Company will be cash flow positive in future periods. In the event that the Company fails to achieve profitability in future periods, the value of the Company's shares may decline. In addition, if the Company is unable to achieve or maintain positive cash flows, the Company would be required to seek additional funding, which may not be available on favorable terms, if at all.

Management of growth

The Company has recently experienced, and may continue to experience, growth in the scope of its operations. This growth has resulted in increased responsibilities for the Company's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will need to continue to implement and improve its operational, financial and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that the Resulting Issuer will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support the Company's operations.

Reliance on key personnel

The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company will rely on a limited number of key employees, consultants and members of senior management and there is no assurance that the Company will be able to retain such key employees, consultants and senior management. The loss of one or more of such key employees, consultants or members of senior management, if not replaced, could have a material adverse effect on the Company's business, financial condition and prospects.

The Company has no immediate plans to pay regular dividends on the Company, so shareholders of the Company may not receive funds without selling their Company Shares.

The Company does not currently have plans to pay regular dividends on Company Shares. Any declaration and payment of future dividends to holders of Company Shares will be at the sole discretion of the Board and will depend on many factors, including the financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations of the Company that the Company's Board deems relevant.

Business and Industry Risks

Regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of digital assets in a manner that adversely affects the Company's operations

Due to their global nature, blockchain-related technologies and encryption-related technologies are subject to regulatory fragmentation due to different treatment depending on jurisdiction. Certain governments have categorized certain blockchain technologies as illegal, while others have embraced their utility and have approved them for trade. Ongoing and/or future regulatory actions may have a substantial impact on the Company's business operations.

The Company relies upon the use of internally/externally built proprietary software, data and intellectual property that may be subject to substantial risk

The Company's liquidity contribution strategy is dependent on internally and externally developed software, data and intellectual property. Its operations may be severely and adversely affected by the malfunction of technology.

Banks may not provide banking services, or may cut off banking services, to businesses that provide services related to blockchain-based technologies

A number of companies that provide blockchain-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to blockchain-related companies, or companies that accept digital assets, for a number of reasons, such as perceived compliance risks or costs.

The Company may be unable to obtain adequate insurance to insure its operations

The Company intends to insure its operations in accordance with technology industry practice. However, given the novelty of digital assets and associated businesses, such insurance may not be available, may

be uneconomical for the Company, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Company.

The business of the Company will be exposed to cybersecurity risks

Cyber incidents can result from deliberate attacks or unintentional events, and may arise from internal sources (e.g., employees, contractors, service providers, suppliers and operational risks) or external sources (e.g., nation states, terrorists, hacktivists, competitors and acts of nature). Cyber incidents include unauthorized access to information systems and data (e.g., through hacking or malicious software) for purposes of misappropriating or corrupting data or causing operational disruption. Cyber incidents also may be caused in a manner that does not require unauthorized access, such as causing denial-of-service attacks on websites (e.g., efforts to make network services unavailable to intended users). A cyber incident that affects the Company might cause disruptions and adversely affect its business operations, and might also result in violations of applicable law (e.g., personal information protection laws), each of which might result in potentially significant financial losses and liabilities, regulatory fines and penalties, reputational harm, and reimbursement and other compensation costs. In addition, substantial costs might be incurred to investigate, remediate and prevent cyber incidents.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain statements that may be deemed "forward-looking statements" concerning the future performance of the Company's business, its operations, its financial performance and condition, as well as management's objectives, strategies, beliefs and intentions. Forward-looking statements are frequently identified by such words as "may", "will", "plan", "expect", "anticipate", "estimate", "intend" and similar words referring to future events and results. Forward-looking statements are based on the current opinions and expectations of management. All statements in this report that do not directly and exclusively relate to historical facts, constitute forward- looking statements. These statements represent the Company's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise such forward-looking statements, as a result of new information, future events or otherwise. Factors that may cause actual results to vary from forward looking statements include, but are not limited to, the Company's ability to access capital, competitive risks and reliance on key personnel, as described in more detail in this document under "Risk Factors". Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

APPROVAL AND ADDITIONAL INFORMATION

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases, listing statement and other information, may be accessed via www.sedar.com and readers are urged to review these materials.

The Board approved the disclosure contained in this MD&A.