



**SQID TECHNOLOGIES LIMITED**

Notice of Annual General Meeting for the financial year ended 30 June 2019, Management Proxy Circular

SQID Technologies Limited ACN 121 655 472

Date of Meeting: Friday, 24 April 2020

Time of Meeting: 10:00am (Brisbane time)

Place of Meeting: The offices of Pitcher Partners, Level 38, 345 Queen St Brisbane QLD 4000

# Information Circular of SQID Technologies Limited



## **SQID TECHNOLOGIES LIMITED**

63 Westgate Street,  
Wacol, Queensland 4076 Australia  
Tel: +61 7 3393 9187

Notice is given that the Annual General Meeting of shareholders of SQID Technologies Limited ACN 121 655 472 (the "Company") for the financial year ended June 30, 2019 will be held at the offices of Pitcher Partners Level 38, 345 Queen St Brisbane QLD 4000, Australia, on Friday, 24 April 2020 at 10:00am (Brisbane time) for the following purposes:

1. To receive and consider the Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to and forming part of the financial statements for the Company and its controlled entities for the financial year ended 30 June 2019.
2. That Andrew Sterling, who retires in accordance with Rule 25.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.
3. That John Maxwell O'Connor, who retires in accordance with Rule 25.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.
4. That Michael Raymond Clarke, who retires in accordance with Rule 25.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.
5. That Athan Lekkas, who retires in accordance with Rule 25.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.
6. That, pursuant to and in accordance with section 327B of the Corporations Act and for all other purposes, Pitcher Partners, Chartered Accountants, having consented to act as the Company's auditor, is appointed as the Company's auditor with authorization to the directors to fix the auditor's remuneration.
7. To consider any permitted amendment to or variation of any matter identified in this Notice, and to transact such other business as may be properly brought before the Meeting or any adjournment or postponement thereof.

The Information Circular contains details of matters to be considered at the Meeting. No other matters are contemplated, however any permitted amendment to or variation of any matter identified in this Notice may properly be considered at the Meeting.

Only shareholders of record on March 13, 2020 will be entitled to receive notice of, and to vote at, the Meeting or any adjournment thereof. A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must have deposited his duly executed form of proxy not later than 10:00 a.m. (Brisbane, Queensland, Australia time, on April 22, 2020 (4.00 p.m. on April 21, 2020, Vancouver, British Columbia, Canada time) or, if the Meeting is adjourned, not later than 48 hours preceding the time of such adjourned Meeting.

Regardless of whether a shareholder plans to attend the Meeting in person, we request that each shareholder please complete, date, and sign the enclosed form of proxy and deliver it in accordance with the instructions set out in the form of proxy and Information Circular.

Non-registered shareholders who plan to attend the Meeting must follow the instructions set out in the form of proxy or voting instruction form to ensure their shares will be voted at the Meeting. A shareholder who holds shares in a brokerage account is not a registered shareholder.

Dated at Wacol, Queensland, Australia the 17 day of March, 2020

BY ORDER OF THE BOARD

“Peter Hall”

Chief Executive Officer

## **SQID TECHNOLOGIES LIMITED**

63 Westgate Street,  
Wacol, Queensland 4076 Australia  
Tel: (61) 7-3393-9187

### **INFORMATION CIRCULAR**

(as at March 17, 2020 unless indicated otherwise)

---

## **GENERAL VOTING INFORMATION**

### **PERSONS OR COMPANIES MAKING SOLICITATION**

This management Information Circular is furnished in connection with the solicitation of proxies by the management of SQID Technologies Limited (the “Company” or “SQID”) for use at the annual general meeting for the 2019 year (the “Meeting”) of its shareholders to be held on April 24, 2020 at the time and place and for the purposes set forth in the accompanying notice of the Meeting. The consent of the Australian Securities and Investment Commission (“ASIC”) to hold the meeting by April 4, 2020 was obtained, on the basis the Company’s prospectus and June 30, 2019 year end audited statements filed with the British Columbia Securities Commission could not be finalized and signed until the date of the Company’s final prospectus, December 18, 2019.

In this Information Circular, references to the “Company”, “we” and “our” refer to SQID Technologies Limited. The “board of directors” or the “Board” refers to the board of directors of the Company. “Ordinary Shares” means ordinary shares without par value in the capital of the Company. “SQID shareholders”, “shareholders” and “shareholders of the Company” refer to the shareholders of the Company. “Beneficial Shareholders” means shareholders who do not hold Ordinary Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

---

### **NOTICE AND ACCESS**

The Company is relying on the notice-and-access provisions (“**Notice and Access**”) under the Canadian Securities Administrators’ National Instrument 54-101—Communication with Beneficial Owners of Securities of a Reporting Issuer (“NI 54-101”) for the delivery of the Information Circular for the Meeting to its “Non-Registered Holders” (as defined under “Non-Registered Holders”). The use of the alternative Notice and Access procedures in connection with the Meeting for Non-Registered Holders helps reduce paper use, as well as the Company’s printing and mailing costs. The Company is also using Notice and Access for the delivery of the Information Circular for the Meeting to its registered shareholders (“Registered Shareholders”) who have consented to this.

Under Notice and Access, instead of receiving paper copies of the Information Circular, Non-Registered Holders and Registered Shareholders who have consented will receive a notice (“Notice and Access Notification”) with information on the Meeting date, location and purpose, as well as information on how they may access the Information Circular electronically or request a paper copy as well as a form of proxy. The Company will arrange to mail paper copies of the Information Circular to those Non-Registered Holders who have existing instructions on their account to receive paper copies of the Company’s proxy-related materials.

---

### **APPOINTMENT OF PROXYHOLDERS**

The individuals named in the accompanying form of proxy (the “Proxy”) are officers and/or directors of the Company.

**A shareholder of the Company has the right to appoint a person, other than the person designated in the accompanying form of proxy (who need not be a shareholder of the Company, or otherwise entitled to attend and vote at the Meeting) to attend and act for the shareholder and on the shareholder's behalf at the meeting.** A shareholder desiring to appoint some other person may do so either by inserting the desired person's name in the blank space provided for that purpose in the accompanying form of proxy or by completing another proper form of proxy.

To be used at the Meeting, proxies must be received by Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 by 10:00 a.m. Brisbane, Queensland time on April 22, 2020 which is 4:00 p.m. on April 21, 2020 Vancouver, British Columbia time or, or, if the Meeting is adjourned, not later than 48 hours preceding the time on which the Meeting is reconvened, or may be accepted by the chair of the Meeting prior to the commencement of the Meeting.

### **REVOCAION OF PROXIES**

A shareholder giving a proxy has the power to revoke it at any time to the extent that it has not been exercised. In addition to revocation in any other manner permitted by law, a shareholder giving a proxy has the power to revoke it by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation and delivered either to the registered office of the Company (63 Westgate Street, Wacol, Queensland 4076 Australia) at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) thereof, at which the proxy is to be used, or to the Chair of the Meeting on the day of the Meeting or any adjournment(s) thereof at which the proxy is to be used.

### **VALIDITY OF INSTRUMENT OF PROXY**

A proxy or an instrument appointing a duly authorized representative of a Company shall be in writing, under the hand of the appointor or his or her attorney duly authorized in writing, or, if such appointor is a Company, either under its seal or under the hand of an officer or attorney duly authorized for that purpose.

### **Voting by Proxyholder**

At the time of printing this Information Circular, Management knows of no amendments, variations or other matters which may be presented for action at the Meeting other than the matters referred to in the accompanying Notice of Meeting.

The persons named in the Proxy will vote or withhold from voting the Ordinary Shares represented thereby in accordance with your instructions on any ballot that may be called for. The Ordinary Shares represented by the accompanying form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon, the Ordinary Shares will be voted accordingly on such ballot. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

**The accompanying form of proxy when duly completed and delivered and not revoked confers discretionary authority upon the persons named therein with respect to matters where no choice is specified. In respect of a matter for which a choice is not specified in the Proxy, the management appointee acting as a proxyholder will vote in favour of each matter identified on the Proxy and, if applicable, for the nominees of management for directors and auditors as identified in the Proxy.**

## **NON-REGISTERED HOLDERS**

Only registered holders of Ordinary Shares of the Company or the persons they appoint as their proxyholders are permitted to vote at the Meeting. In many cases, however, Ordinary Shares beneficially owned by a holder (a **“Non-Registered Holder”**) are registered either:

- (a) in the name of an Intermediary (an **“Intermediary”**) that the Non-Registered Holder deals with in respect of the Ordinary Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans, or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (CDS)) of which the Intermediary is a participant.

Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Company are referred to as **“NOBOs”**. Those Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the Company are referred to as **“OBOs”**.

In accordance with the requirements of NI 54-101, the Company has elected to send the Notice and Access Notification in connection with the Meeting directly to the NOBOs, and indirectly through Intermediaries to the OBOs.

The Intermediaries (or their service companies) are responsible for forwarding the Notice and Access Notification to each OBO, unless the OBO has waived the right to receive proxy-related materials from the Company. Intermediaries will frequently use service companies to forward proxy-related materials to the OBOs. Generally, an OBO who has not waived the right to receive proxy-related materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Ordinary Shares beneficially owned by the OBO and must be completed, but not signed, by the OBO and deposited with Computershare Investor Services Inc.; or
- (b) more typically, be given a voting instruction form (**“VIF”**) which is not signed by the Intermediary, and which, when properly completed and signed by the OBO and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

The Company will not be paying for Intermediaries to deliver to OBOs (who have not otherwise waived their right to receive proxy-related materials) copies of proxy-related materials and related documents (including the Notice and Access Notification). Accordingly, an OBO will not receive copies of proxy-related materials and related documents unless the OBO's Intermediary assumes the costs of delivery.

**Applicable proxy related materials are being sent to both registered shareholders of the Company and Non-Registered Holders. If you are a Non-Registered Holder, and the Company or**

**its agent has sent the applicable proxy-related materials to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send these materials to you directly, the Company (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.**

The Notice and Access Notification and any proxy-related materials sent to NOBOs who have not waived the right to receive proxy-related materials are accompanied by a VIF, instead of a proxy form. By returning the VIF in accordance with the instructions noted on it, a NOBO is able to instruct the voting of the Ordinary Shares of the Company owned by the NOBO.

VIFs, whether provided by the Company or by an Intermediary, should be completed and returned in accordance with the specific instructions noted on the VIF. The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Ordinary Shares of the Company which they beneficially own. Should a Non-Registered Holder who receives a VIF wish to attend the Meeting or have someone else attend on the Non-Registered Holder's behalf, the Non-Registered Holder may request a legal proxy as set forth in the VIF, which will grant the Non-Registered Holder, or the Non-Registered Holder's nominee, the right to attend and vote at the Meeting.

**Non-Registered Holders should return their voting instructions as specified in the VIF sent to them. Non-Registered Holders should carefully follow the instructions set out in the VIF, including those regarding when and where the VIF is to be delivered.**

Although Non-Registered Holders may not be recognized directly at the Meeting for the purpose of voting Ordinary Shares of the Company registered in the name of their broker, agent or nominee, a Non-Registered Holder may attend the Meeting as a proxyholder for a registered shareholder and vote Ordinary Shares in that capacity. Non-Registered Holders who wish to attend the Meeting and indirectly vote their Ordinary Shares as proxyholder for the registered shareholder should contact their broker, agent or nominee well in advance of the Meeting to determine the steps necessary to permit them to indirectly vote their Ordinary Shares as a proxyholder.

### **Registered Shareholders**

Registered shareholders (a shareholder whose name appears on the records of the Company as the registered holder of Ordinary Shares) may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered shareholders who choose to submit a proxy may do so by:

(a) completing, dating and signing the Proxy and returning it to the Company's transfer agent, Computershare Investor Services Inc. ("Computershare"), by fax within North America at (866) 249-7775 and outside North America at (416) 263-9524, by mail to 8th Floor, 100 University Avenue Toronto, Ontario, M5J 2Y1, or by hand delivery at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9; or

(b) use a touch-tone phone to transmit voting choices to the toll-free number given in the Proxy. Registered shareholders who choose this option must follow the instructions of the voice response system and refer to the enclosed Proxy for the toll-free number and the Proxy access number; or

(c) via the internet at Computershare's website, [www.investorvote.com](http://www.investorvote.com). Registered shareholders must follow the instructions that appear on the screen and refer to the enclosed Proxy for the Proxy access number,

in all cases ensuring that the Proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment or postponement thereof at which the Proxy is to be used.

### **Notice to Shareholders in the United States**

This solicitation of proxies involves securities of an issuer located in Australia and is being effected in accordance with the corporate laws of Australia and the securities laws of applicable provinces of Canada. The proxy solicitation rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of applicable provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of applicable provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the Australian Corporations Act 2001 (Cth) (the "Act") and its directors and executive officers are residents of countries that, and a substantial portion of its assets and the assets of such persons, are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

To the best of the Board's knowledge, except as otherwise disclosed herein, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last completed financial year, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors or the appointment of auditors.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

#### **Record Date**

The Board has fixed Friday March 13, 2020 as the record date (the "Record Date") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either: (a) attend the Meeting personally; or (b) complete, sign and deliver a form of proxy in the manner and subject to the provisions described above, will be entitled to vote or to have their Ordinary Shares voted at the Meeting. As at the Record Date 7,918,706 Ordinary Shares were issued and outstanding as fully paid and non-assessable.

Subject to restrictions imposed on joint shareholders): (a) on a vote by a show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and (b) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each Common Share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy. If there are joint shareholders registered in respect of any share: (a) any one of the joint shareholders may vote at any meeting of shareholders, personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or (b) if more than one of the joint shareholders is present at any meeting of shareholders, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the



central securities register in respect of the share will be counted. No group of shareholders of the Company has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Ordinary Shares.

To the knowledge of the directors and executive officers of the Company, the only person that beneficially owned, directly or indirectly, or exercised control or direction over, Ordinary Shares carrying more than 10% of the voting rights attached to all outstanding Ordinary Shares of the Company as at March 13, 2020 was:

Shareholder Name	Number of Ordinary Shares Held	Percentage of Issued Shares
First Growth Funds Limited	1,151,515	14.54%
Andrew Scot Sterling	903,300 <sup>(1)</sup>	11.4%

(1) Mr. Sterling holds 328,860 Ordinary Shares directly and 574,440 Ordinary Shares are held by a private fund controlled by Andrew Sterling and his wife.

## VOTES NECESSARY TO PASS RESOLUTIONS

Except as otherwise disclosed herein, a simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein.

## CURRENCY

All currency amounts in this Information Circular are expressed in Australian dollars, unless otherwise indicated.

This Information Circular is provided to shareholders of **SQID Technologies Limited ACN 121 655 472 (Company)** to explain the Resolutions to be put to Shareholders at the Annual General Meeting to be held at Pitcher Partners, Level 38, 345 Queen St Brisbane QLD 4000, Australia on Friday, 24 April 2020 commencing at 10:00am (Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Meeting and Information Circular in full before making any decision in relation to the resolutions.

## ORDINARY BUSINESS OF THE MEETING

---

### Financial Reports

To receive and consider the Company's Financial Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to and forming part of the financial statements for the Company and its controlled entities for the financial years ended 30 June 2019. The Company's Annual Report is attached as a schedule "A-1" to this Information Circular. It was also lodged with the Australian Securities and Investments Commission (**ASIC**) on 6 January 2020, with supplementary documents lodged on 13 January 2020. Management's Discussion and Analysis (MD&A) for the financial year ended June 30, 2019 is attached as Schedule "A-2" to this Information Circular.

The Company's Financial Report will be presented to the shareholders for discussion. No voting is required for this item.

## 1. ELECTION OF DIRECTORS

Board Size: The Company's board of directors is currently set at four.

### NOMINEES FOR ELECTION

Andrew Scott Sterling (currently a director)  
John Maxwell O'Connor (currently a director)  
Michael Raymond Clarke (currently a director)  
Athán Lekkas (currently a director)

The board of directors of the Company (the **Board** or the **Board of Directors**) currently consists of four (4) directors, all of whom are elected annually in accordance with the Company's Constitution. The term of office for each of the present directors of the Company expires at the Meeting. The four current directors of the Company will be standing for re-election. Mr Peter Hall resigned as a director on February 24, 2020 and is not standing for re-election for personal reasons. Mr Hall will also step down as CEO with effect from the Meeting. Mr Hall will remain in a consulting role after the Meeting to assist with the transition to a new CEO, who is yet to be appointed.

Each director elected will hold office until the next annual general meeting of the Company or until his successor is duly elected or appointed pursuant to the Constitution of the Company unless his office is earlier vacated in accordance with the provisions of the *Corporations Act 2001* (Cth) (Australia) or the Constitution of the Company or unless he becomes disqualified to act as a director.

It is the intention of the Chairman and the proxyholders, if named as proxyholder, to vote for the election of the said persons to the Board of Directors, unless the Shareholder has directed the proxy otherwise. Management does not contemplate that any of the nominees will be unable to serve as a director.

The information set out below relating to the nominees for election to the Board of Directors is information received by the Company from the nominees.

Director Nominee Information and Biographies

Name, Position with Company and Province and Country of Residence	Date of Appointment to Office	Principal Occupation for Past Five Years	Ordinary Shares Held as of the Date of this Prospectus	Percentage of Ordinary Shares Currently Held
Andrew Scot Sterling <sup>(1)(2)</sup> Director Queensland, Australia	Director since August 5, 2013	Since October 2012, he has been the general manager- Property Finance of the QPF Finance Group, which provides finance and insurance brokerage services for equipment, business and commercial and residential real estate. The company is active.	328,860 held directly 574,440 held indirectly for a total of 903,300 <sup>(3)</sup>	4.18% 7.3% Total 11.49%
John Maxwell O'Connor <sup>(1)(2)</sup> Director Victoria, Australia	Director since July 18, 2019	Director of John M O'Connor P/L, an active company that provides advice to a range of businesses. Since August, 2013, Mr. O'Connor is currently a director of Cloud Lumen Pty Ltd, an active company which is developing the next generation of commercial and street lighting through remote connectivity and monitoring utilising 'Internet of Things' technology.	None	0
Michael Raymond <sup>(1)</sup> <sup>(2)</sup> <sup>(4)</sup> Clarke Director South Australia, Australia	Director since August 6, 2019	Since May 2014, director of First Growth Fund Limited, a company that provides advisory services to listed and unlisted companies, earns commission fees and invests in diverse portfolio, located in Melbourne, Victoria, Australia; since February 2012, director of Malvern Company, an investment company located in Adelaide, South Australia, Australia. Both companies are currently active.	None	0
Athan Lekkas <sup>(4)</sup> Fitroy, South Australia, Australia	Director since February 24, 2020	Director of First Growth Funds Limited since July 2012. It provides advisory services to listed and unlisted companies, earns commission fees and invests in diverse portfolio, located in Melbourne, Victoria, Australia.	None	None

(1) Member of Audit Committee.

(2) Member of Remuneration Committee

(3) The 574,440 Ordinary Shares are held by a private fund controlled by Andrew Sterling and his wife.

(4) Mr. Clarke and Mr. Lekkas are also directors of First Growths Funds Limited, which owns 14.54% of the Ordinary Shares of SQID. First Growth Funds Limited is also a promoter of the Company. See "Principal Security Holders" and "Promoters".

**Andrew Scot Sterling - Director**

Mr. Sterling has a Cert IV in Financial Services and a Diploma of Financial Services granted in September 2009 from Intellitrain Pty. Ltd., an Australian RTO\* authorised to deliver nationally recognized qualifications. He also has a Diploma of Financial Services granted July 2010 from Intellitrain Pty. Ltd.

\*RTO means a “Registered Training Organization” registered with the Australian Government-Australian Skills Quality Authority. A RTO delivers vocational education and training (VET) services and are recognized as providers of quality-assured and nationally recognized training and qualifications.

Mr. Sterling has 39 years of banking and finance experience during senior positions in ANZ and Citibank. He has been the general manager- Property Finance of the QPF Finance Group (“QPF”) since October 12, 2012. QPF was established in 1977. It is one of the largest finance broking organisations in Australia. It provides finance and insurance broking services for equipment, business and commercial and residential real estate. It is active.

**John Maxwell O’Connor - Director**

Mr. O’Connor received a Bachelor of Business – Accountancy in 1986 from RMIT University, located in Melbourne, Australia and a Master’s Degree – Marketing in 2001 from Monash University located in Melbourne, Australia. He was designated a Certified Practising Accountant (Membership #1268097) in November 1989 by the Australian Society of Certified Practising Accountants.

He is currently a Fellow of the Australian Society of Certified Practising Accountants and a member of the Australian Institute of Company directors.

Below is a description of some of his business activities

Since 2013, Mr. O’Connor has provided business advice through his private company, John M O’Connor Pty Ltd which advises across a broad spectrum of business. Some of these include:

1. Founder and director of the Australian Sports Technology Company Pty Ltd
2. Advisor to Melbourne University – Graduate School of Education,
3. Advisor to Trajan Scientific & Medical Pty Ltd which focuses on analytical systems for biological, environmental and food related measurements
4. Advisor to eWater Systems Pty Ltd. which supplies electrolysis units for food safety and infection control.
5. From September 2010 to June 2013, Mr. O’Connor was a director and COO of Vix Technologies the privatized company of the ex-ASX ERG Limited, a company specializing in designing, building and implementing complex IT systems and “Big Data” for the provision of electronic ticketing, real time information and payment solutions to the transport and related infrastructure industries worldwide for both government and private operators. He was responsible for operations and subsidiaries in the U.S., Sweden, France, United Kingdom, Italy, South Africa, Singapore and the Middle East.
6. From December 2004 to September 2010, CFO and acting CEO (as required) of the Australian Red Cross Society.

Other Public Companies:

Mr. O'Connor was a director of Zyber Ltd. a public company listed on the ASX from October 2018 to March 2019 and a director of Citadel Pooled Development Fund (ASX listed) from 2005 to 2006.

**Michael Raymond Clarke- Director**

Mr Clarke has over 18 years' experience in the IT industry and has worked across both public and private enterprise during his career. He has broad experience in the deployment and management of enterprise and complex systems and worked at senior levels during this time.

Mr Clarke has consulted and provided services to a variety of industries including manufacturing, mining and resources, government and education. Mr. Clarke has been a director since May, 2014 of First Growth Funds Limited, an Australian company formerly listed on the ASX: First Growth Funds Limited provides advisory services to listed and unlisted companies, earns commission fees and invests primarily in listed and unlisted equities, digital currency and Blockchain Related investments. First Growth Funds Limited owns 14.54% of the Ordinary Shares of SQID.

From February 2013 to August 2016, Mr. Clarke was a director of Raya Group Limited (later becoming Xped Limited), listed on the ASX. Xped Limited is an Internet of Things company based in Adelaide, Australia. Its patented technology enables any smart device to be controlled with the single tap of a smartphone.

**Athan Lekkas - Director**

Mr Lekkas is an experienced investment advisor, particularly in the technology sector. Mr Lekkas has many years of investment banking experience and has advised on numerous cross border transactions including capital raisings, funding and structuring of acquisitions, joint ventures overseas and participated in a broad range of business and corporate advisory transactions. More recently Athan has focused on the restructure and recapitalisation of a wide range of ASX Listed companies. He was former Chairman of Panax Geothermal Limited (ASX:PAX) a Geothermal company that was successfully transformed into an Internet of Things (IoT) technology company where he was responsible for raising \$25M (now called Xped). Mr Lekkas was also previously a Director of Brainy Toys Limited which was transformed from a technology company into a mining company which is now listed as a Kogi Iron (ASX: KFE), where he was instrumental and successful with identifying and funding the acquisition of a major West African Iron Ore project. Mr Lekkas has been a director of First Growth Funds Limited since July 16, 2012 and was responsible for the re-quotation of First Growth Funds Limited in 2013 when six years of working capital was raised.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Cease Trade Orders

To the Company's knowledge and other than as disclosed herein, no existing director or executive officer or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company is, as at the date of this Information Circular, or was within ten years prior to the date of this Prospectus, a director, Chief Executive Officer or Chief Financial Officer of any company including the Company that:

- (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event

that occurred while that person was acting in that capacity as director, chief executive officer or chief financial officer.

For the purposes herein "order" means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days.

None of the directors or executive officers of the Company, or a shareholder holds a sufficient number of securities of the Company to affect materially the control of the Company:

### **Bankruptcies**

To the Company's knowledge and other than as disclosed herein, no existing director or executive officer or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company:

- (a) is, as at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

In December 2013 a then subsidiary of SQID Technologies Limited, QPAY Pty Ltd ACN 115 922 808 had a liquidator appointed by way of a creditors' voluntary winding up and following the winding up process was deregistered. At the time of, or for a period of 12 months before, the winding up of QPAY Pty Ltd., Andrew Sterling was not a director of QPAY Pty Ltd. He was a director of the Company at that time, which was the sole shareholder of QPAY Pty Ltd.

### **Penalties or Sanctions**

To the Company's knowledge and other than as disclosed herein, no existing director or executive officer or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial or territorial securities regulatory authority or has entered into a settlement agreement with a provincial or territorial securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **2. APPOINTMENT OF THE AUDITOR**

Shareholders will be asked at the Meeting to approve the re-appointment of Pitcher Partners, Chartered Accountants, located at Level 38, 345 Queen St Brisbane QLD 4000, GPO Box 1144 Brisbane QLD 4001, as the Company's auditor until the next annual general meeting of the Company at a remuneration to be fixed by the directors. Pitcher Partners was first appointed the auditor of the Company on February 22, 2019.

Gary Paul Smith received consent from the Australian Securities & Investments Commission (**ASIC**) to resign from the office of auditor of the Company effective from 4 June 2019 and the Board appointed Pitcher Partners, Chartered Accountants as auditor, pursuant to section 327C(1) of the Corporations Act. In accordance with section 327C(2), an auditor appointed under section 327C(1) holds office until the company's next annual general meeting. The ongoing appointment of the auditor must then be approved by shareholders under section 327B of the Corporations Act.

As required, the Company has received a written notice of nomination from a shareholder of the Company for Pitcher Partners, Chartered Accountants to be appointed as the Company's auditor. A copy of the notice is attached to this Notice of Annual General Meeting.

### **The resolutions to be presented at the Meeting are:**

#### **1. Resolution 1 - Re-election of Andrew Scott Sterling as a director**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That Andrew Scott Sterling, who retires in accordance with Rule 25.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

The Directors (with Mr. Sterling abstaining) recommend that you vote in favour of this Ordinary Resolution.

#### **2. Resolution 2 - Re-election of John Maxwell O'Connor as a director**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That John Maxwell O'Connor, who retires in accordance with Rule 25.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

The Directors (with Mr. O'Connor abstaining) recommend that you vote in favour of this Ordinary Resolution.

#### **3. Resolution 3 - Re-election of Michael Raymond Clarke as a director**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That Michael Raymond Clarke, who retires in accordance with Rule 25.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

The Directors (with Mr. Clarke abstaining) recommend that you vote in favour of this Ordinary Resolution.

#### **4. Resolution 4 - Election of Athan Lekkas as a director**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That Athan Lekkas, who retires in accordance with Rule 25.1 of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.”

The Directors (with Mr. Lekkas abstaining) recommend that you vote in favour of this Ordinary Resolution.

## **5. Resolution 5 – Appointment of Auditor**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company: “That pursuant to and in accordance with section 327B of the Corporations Act and for all other purposes, Pitcher Partners, Chartered Accountants, having consented to act as the Company’s auditor, be appointed as the Company’s auditor until the next annual general meeting of the Company at a remuneration to be fixed by the directors.”

The Directors recommend that you vote in favour of this Ordinary Resolution.

## **Compensation Overview**

### **Statement of Executive Compensation** (for the financial year ended 30 June 2019)

During the year ended 30 June 2019, the Company had three NEOs: Peter Hall, CEO, Lee Horobin, CFO and Robyn Gunnis, COO.

## **Compensation Discussion and Analysis**

In assessing the compensation of its executive officers, for the year ended 30 June 2019 and prior years, the Company did not have in place any formal objectives, criteria or analysis; compensation payable is currently determined by the Board of Directors. The Company’s executive compensation program is based on the qualifications and experience of its NEOs. The compensation paid to the CEO, Peter Hall, recognizes his 35 years as a company director, entrepreneur and professional advisor to businesses in a broad range of industries including technology and manufacturing. The CFO, Lee Horobin is paid an hourly rate that is comparable to the rates published by Hudson Accounting and Finance Salary guide and the 2017 Hays Salary Guide, neither of which names specific companies.

As of the date of this Information Circular, the Company’s directors have not established any benchmark or performance goals to be achieved or met by the NEO’s, however, such NEO’s are expected to carry out their duties in an effective and efficient manner so as to advance the business objectives of the Company.

Payments may be made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for by the Company at competitive industry rates for work of a similar nature by reputable arm’s length services providers. At this time, there are compensation agreements with both the CEO, Peter Hall and the CFO, Lee Horobin.

Option Based Awards: No option based awards have been granted.

## **Compensation of Named Executive Officers of the Company**

Particulars of compensation paid to:

- (a) the Corporation’s chief executive officer (“**CEO**”) and chief financial officer (“**CFO**”), or persons who acted in a similar capacities for any part of the most recently completed financial year;



- (b) each of the Corporation's three most highly compensated executive officers (or the three most highly compensated individuals acting in a similar capacity), other than the CEO and CFO at the end of the most recently completed financial year, whose total compensation was more than \$150,000 for that financial year; and
- (c) any additional individuals for whom disclosure would have been provided under (b) except that the individual was not serving as an executive officer of the Corporation or its subsidiaries (nor acting in a similar capacity) of the Corporation at the end of the most recently completed financial year;

(each a "Named Executive Officer" or "NEO") is set out in the summary compensation table below.

Peter Hall was appointed a director and CEO on 21 October 2013. Lee Horobin was appointed CFO on 15 January 2015. Robyn Gunnis was appointed COO on 1 August 2017. The following table sets forth the compensation of the NEO's for the three most recently completed financial years.

### Compensation of Named Executive Officers of the Company

Peter Hall was appointed a director and CEO on October 21, 2013. Lee Horobin was appointed CFO on January 15, 2015. Robyn Gunnis was appointed COO on August 1, 2017. The following table sets forth the compensation of the Named Executive Officers for the three most recently completed fiscal years.

#### Summary Compensation Table

Name and principal position (a)	Year (b)	Salary (\$) (c)	Ordinary Share-based awards (\$) (d)	Option-based awards (\$) (e)	Non-equity incentive compensation (\$)(f) Annual incentive plans (f1)	Long-term incentive plans (f2)	Pension value (\$) (g)	All other Compensation <sup>(1)</sup> (\$) (h)	Total Compensation (\$) (i)
Peter <sup>(1)</sup> Hall CEO	2019	200,000	Nil	Nil	Nil	Nil	Nil	11,400 <sup>(1)</sup>	211,400
	2018	200,000	Nil	Nil	Nil	Nil	Nil	Nil	0
	2017	160,000	Nil	Nil	Nil	Nil	Nil	Nil	200,000
									160,000
									0
Lee Horobin <sup>(2)</sup> CFO	2019	48,112	Nil	Nil	Nil	Nil	Nil	Nil	48,122
	2018	49,276	Nil	Nil	Nil	Nil	Nil	Nil	49,276
	2017	46,649	Nil	Nil	Nil	Nil	Nil	Nil	46,649
Robyn Gunnis <sup>(3)</sup> COO	2019	68,300	Nil	Nil	Nil	Nil	Nil	Nil	68,300
	2018	25,572	Nil	Nil	Nil	Nil	Nil	Nil	25,572

<sup>(1)</sup> The Company has a five year consulting agreement with Mr. Hall dated 1 August 2018 as amended and restated on 30 June 2019, to provide his services as chairman, director and company secretary with annual fees of \$60,000 and to provide his services as CEO with an annual fee of \$140,000. Peter Hall is not standing for re-election on April 24, 2020 and is also resigning as CEO on that date.

The Company paid rent of \$11,400 for the fiscal year ended 30 June 2019, to Sigrist Design Pty Ltd., a private company owned by Peter Hall. The Company has budgeted \$40,000 for rent for the financing year ending 30 June 2020.

- (2) The Company has an agreement with Mr. Horobin dated 1 July 2017 whereby Mr. Horobin provides his services as CFO for an hourly fee of \$97 with an annual cap of \$120,000.
- (3) The Company has an agreement with Mrs. Gunnis dated 14 December 2018 as amended 11 July 2019 to pay her \$15,000 a month.

As at June 30 June 2019, the three NEO's were owed money by the Company in the aggregate amount of \$37,016 (2018- \$24,175). These amounts represent fees outstanding for the month of June which the NEO's invoice to the company monthly in arrears as a matter of course. These amounts were paid in the following month.

**Incentive Plans Awards**

As at the year ended 30 June 2019 the Company had not granted any Share based and option based awards to its NEOs.

**Pension Plans Benefits**

The Company does not have a pension plan or provide any benefits following or in connection with retirement for the NEOs.

**Termination and Change of Control Benefits**

The Company does not have detailed written employment agreements with the NEO's, nor any plans or arrangements in place with any NEO that provide for payment following or in connection with any termination, resignation, retirement, a change of control of the Company or a change in a NEO's responsibilities.

**Compensation of Directors**

For the financial year ended 30 June 2019, Andrew Sterling and a former director, Daniel Desplat were each paid director's fees of \$40,000. The Company has agreed to pay monthly directors fees to the directors for their services in their capacity as directors for the financial year commencing 1 July 2019: Peter Hall will receive \$5,000 per month and each of the three non-management directors will receive \$3,333 per month. There are no other arrangements pursuant to which directors are compensated by the Company in their capacity as directors.

In 2018, Daniel Desplat received director's fees of \$40,000 and in 2017 he received director's fees of \$25,000

The other directors received the same fees.

Non-executive director's fees paid in the financial year ended 30 June 2018

Daniel Desplat	\$40,000
Andrew Sterling	\$40,000

Non –executive director's fees paid in the financial year ended 30 June 2017

Daniel Desplat	\$25,000
Andrew Sterling	\$25,000.

**Intended Changes to Compensation**

None.

Subsequent to 30 June 2019, the Company adopted a Remuneration Committee Charter that is attached to this Information Circular as Schedule “B”.

## **AUDIT COMMITTEE**

Under NI52-110 the Company is required to provide certain disclosure with respect to their Audit Committee including the text of the Audit Committee’s charter, the composition of the Audit Committee and the fees paid to the external auditor. The Company’s Audit Committee Charter is attached as Schedule C” to this Information Circular.

The primary purpose of the Audit Committee is to assist the Board of Directors in discharging its oversight and evaluation responsibilities. In particular, the Audit Committee oversees the financial reporting process to ensure the balance, transparency and integrity of our published financial information. The Audit Committee also reviews and reports to the Board of Directors on the quality and integrity of the Financial Statements and other financial information; compliance with legal and regulatory requirements related to financial reporting; the effectiveness of the systems of control (including risk management) established by management to safeguard the assets (real and intangible) of the Company and its subsidiaries; the proper maintenance of accounting and other records; annual and quarterly interim financial information; the independent audit process, including recommending the appointment and compensation of the external auditor, and assessing the qualifications, performance and independence of the external auditor; the performance and objectivity of our internal audit function; all non-audit services; the development and maintenance of procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Company and its subsidiaries of concerns regarding questionable accounting or auditing matters; the review of environment, insurance and other liability exposure issues relevant to the affairs of the Company; and any additional matters delegated to the committee by the Board of Directors.

The Audit Committee has the right, for the purposes of performing its duties, to maintain direct communication with the Company’s external auditors and Board of Directors, to inspect all books and records of the Company and its affiliates, to seek any information it requires from any employee of the Company and its affiliates and to retain outside counsel or other experts.

The Audit Committee is required to meet at least once per quarter and is comprised of not less than three directors, a majority of whom are independent (as defined in NI 52-110) and all “financially literate” within the meaning of applicable Canadian securities laws. Andrew Sterling, Michael Clarke and John O’Connor are the members of the Audit Committee.

### **Composition of Audit Committee and Independence**

NI 52-110 provides that a member of an audit committee is “independent” if the member has no direct or indirect material relationship with a company, which could, in the view of that company’s board of directors, reasonably interfere with the exercise of the member’s independent judgment. Two of the members of the Audit Committee, Andrew Sterling and John O’Connor meet the definition of “independence” provided in NI 52- 110. Michael Clarke is not considered independent as he is a director of First Growth Funds Limited, which is a promoter of the Company and owns 14.54% of the Ordinary Shares of the Company.

### **Relevant Education and Experience**

NI 52-110 provides that an individual is “financially literate” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting

issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Financial Statements. All of the members of the Audit Committee are financially literate. For details regarding the education, experience and financial literacy of the members of the Audit Committee.

It is intended that the Audit Committee will establish a practice of approving audit and non-audit services provided by the external auditor.

### External Auditor Service Fee

The audit fees incurred to its external auditors, Pitcher Partners, Chartered Accountants, by the Company for the last two completed financial years are as follows:

Nature of Service	Fees Paid (or accrued) to Auditor in respect of the financial year ended 30 June 2019 (\$)	Fees Paid (or accrued) to Auditor in respect of the financial year ended 30 June 2018 (\$)
Audit Fees <sup>(1)</sup>	60,140	21,700
Audit-Related Fees <sup>(2)</sup>	0	0
Tax fees <sup>(3)</sup>	0	0
All other fees <sup>(4)</sup>	0	0
<b>Total</b>	<b>60,140</b>	<b>21,700</b>

<sup>(1)</sup> "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include aggregate fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

<sup>(2)</sup> "Audit-Related Fees" include fees for services that are traditionally performed by the auditor. These audit-related services may include aggregate fees for due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

<sup>(3)</sup> "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes aggregate fees for tax compliance, tax planning and tax advice.

<sup>(4)</sup> "All Other Fees" include all other non-audit services, in the aggregate. These services were for the review of prior prospectus and interim unaudited financial statements filed with the Commission.

### Exemption

The Company is relying on an exemption provided in section 6.1 of NI 52-110 from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

## REPORT ON CORPORATE GOVERNANCE

---

### General

The following provides information with respect to the Company's compliance with corporate governance requirements (the "Corporate Governance Guidelines") of the Canadian Securities Administrators set forth in National Instrument 58-101 - Disclosure of Corporate Governance Practices

and Form 58-101F2. The Corporate Governance Policy is attached to this Information Circular as Schedule "D".

### Board of Directors

The Board facilitates its exercise of independent supervision over the Company's management through meetings of the Board. Management keeps the directors well apprised on a continuous basis. All major decisions will be discussed at meetings of the Board prior to implementation and final approval will require director's resolution. Currently, the Board of Directors is comprised of four directors, namely Peter Hall, Andrew Sterling, Michael Clarke and John O'Connor. Peter Hall will step down as a director with effect from the Meeting and is not offering himself for re-election for personal reasons. Michael Clarke is not considered independent as he is a director of First Growth Funds Limited, which owns 14.54% of the Ordinary Shares in the Company and is a promoter of the Company. Andrew Sterling and John O'Connor are considered independent for the purposes of NP 58-201. The Board of Directors may meet independently of management as needed. The independent directors would exercise their responsibilities for independent oversight of management and meet independently of management whenever deemed necessary.

### Other Directorships

Some of the directors have been or currently are directors of Public Companies listed on the Australian Stock Exchange ("ASX") and one Reporting Issuer listed on the Canadian Securities Exchange ("CSE").

#### John O'Connor

Name of Company	Name of Exchange	Position held	From	To
Zyber Ltd	ASX	Director	October 2018	March 2019
Citadel Pooled Development Fund	ASX	Director	2005	2006

#### Michael Clarke

Name of Company	Name of Exchange	Position held	From	To
Xped Limited	ASX	Director	February 2013	August 2016
First Growth Funds Limited <sup>(1)</sup>	ASX	Director	2005	2006
SQID Technologies Limited	CSE	Director	August 6, 2019	

#### Athan Lekkas

Name of Company	Name of Exchange	Position held	From	To
Xped Limited	ASX	Director	February 2013	August 2018
First Growth Funds Limited <sup>(1)</sup>	ASX	Director	July 2012	
Kogi Iron Limited (formerly Brainy Toys Limited)	ASX	Non-Executive Director	June 2010	Feb. 2012
Sams Seafood Holdings Limited	ASX	Non-Executive Director	March 2007	Feb. 2011

- (1) First Growth Funds Limited was listed on the ASX from 1986 until December 4, 2019 when it voluntarily delisted from the ASX. First Growth Funds Limited has filed a prospectus in British Columbia and applied to list on the Canadian Securities Exchange.

### **Orientation and Continuing Education**

Each new director of the Company is briefed about the nature of the Company's business, its corporate strategy and current issues within the Company. New directors will be encouraged to review the Company's public disclosure records filed on SEDAR at [www.sedar.com](http://www.sedar.com). Directors are also provided with access to management to better understand the operations of the Company, and to the Company's legal counsel to discuss their legal obligations as directors of the Company.

### **Ethical Business Conduct**

The Board of Directors is considering implementing a written code of ethical conduct for its directors, officers and future employees. The Board of Directors is also required to comply with the conflict of interest provisions of the Companies Act and relevant securities regulation in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director is required to declare the nature and extent of his interest and is not entitled to vote on any matter that is the subject of the conflict of interest.

### **Nomination of Directors**

The Company's management is in contact with individuals involved in the technology sector. From these sources, management has made a number of contacts and in the event that the Company requires any new directors, such individuals will be brought to the attention of the Board of Directors. The Company will conduct reference and background checks on suitable candidates. New nominees generally must have a track record in business management, areas of strategic interest to the Company, the ability to devote the time required to carry out the obligations and responsibilities of a director and a willingness to serve in that capacity.

### **Compensation**

The Board has adopted a Remuneration Committee Charter pursuant to which three directors have been appointed to the Remuneration Committee: John O'Connor, Andrew Sterling and Michel Clarke. John O'Connor and Andrew Sterling are independent directors. The Remuneration Committee Charter sets out the standards and terms for the compensation of the Company's executive officers and directors with reference to industry standards and the financial situation of the Company. The Remuneration Committee Charter is attached as Schedule "B" to this Information Circular.

### **Other Board Committees**

Other than the Audit Committee and Remuneration Committee, there are no other committees of the Board of Directors.

### **Assessments**

Neither the Company nor the Board of Directors has developed a formal review system to assess the performance of the directors or the Board of Directors as a whole. The contributions of individual directors are monitored by other members of the Board of Directors on an informal basis through observation.

### **Indebtedness of Directors and Executive Officers**

None of the directors or senior officers of the Company, no proposed nominee for election as a director of the Company, and no associates or affiliates of any of them, is or has been indebted to the Company or its subsidiaries at any time since the beginning of the Company's last completed financial year.

---

### **Interest of Certain Persons in Matters to be Acted Upon**

Except as disclosed elsewhere in this Explanatory Memorandum, none of the directors or executive officers of the Company, no proposed nominee for election as a director of the Company, none of the persons who have been directors or executive officers of the Company since the commencement of the Company's last completed financial year and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

### **Interest of Informed Persons in Material Transactions**

Other than as set out in this Explanatory Memorandum, no informed person of the Company, no proposed nominee for election as a director of the Company and no associate or affiliate of any such informed person or proposed nominee has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction that, in either case, has materially affected or will materially affect the Company or any of its subsidiaries.

---

### **Management Contracts**

There are no management functions of the Company, which were to any substantial degree performed by a person or company other than the directors or executive officers of the Company during the financial year ended June 30, 2019.

---

### **Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Financial information is provided in the audited consolidated financial statements of the Company for the year ended June 30, 2019 and in the related management discussion and analysis, which will be placed before shareholders at the Meeting. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of the Company's audited consolidated financial statements and management's discussion and analysis for the year ended June 30, 2019 (which are attached to this Information Circular), will be available upon request from the Company's Chief Financial Officer, Lee Horobin at 63 Westgate Street, Wacol, Queensland 4076 Australia.

Tel: +617 3393 9187. Email: [lee.horobin@sqidpayments.com.au](mailto:lee.horobin@sqidpayments.com.au).

Copies of these documents will be provided free of charge to security holders of the Company. The Company may require payment of a reasonable charge from any person or company who is not a security holder of the Company, who requests a copy of any such document.

---

### **General**

Unless otherwise specified, all matters referred to herein for approval by the Shareholders require a simple majority of the Shareholders voting, in person or by proxy, at the Meeting. Where information contained in this Explanatory Memorandum rests specifically within the knowledge of a person other than the Company, the Company has relied upon information furnished by such person.

### **Directors Approval**

The contents and sending of this Information Circular to the shareholders and other persons entitled thereto have been approved by the Board of Directors of the Company.

DATED as of March 17, 2020.

**BY ORDER OF THE BOARD**

*"Peter Hall"*

**Peter Hall  
Chief Executive Officer**

**Schedule “A-1”**

**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED  
30 JUNE 2019**

**TABLE OF CONTENTS**

	<b>Page</b>
Directors’ Report	<b>3</b>
Auditor’s Independence Declaration	<b>7</b>
Financial Report for the year ended 30 June 2019	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	<b>8</b>
Consolidated Statement of Financial Position	<b>9</b>
Consolidated Statement of Changes in Equity	<b>10</b>
Consolidated Statement of Cash Flows	<b>11</b>
Notes to the Financial Statements	<b>13</b>
Directors’ Declaration	<b>36</b>
Independent Auditor’s Report	<b>37</b>



## **DIRECTORS' REPORT**

The directors present their report together with the financial report of the consolidated entity consisting of SQID Technologies Limited (the company) and the entities it controlled (the group), for the financial year ended 30 June 2019 and auditor's report thereon.

### **Directors**

The names of directors in office at any time during the year are:

Andrew Sterling appointed 5<sup>th</sup> August 2013

Peter Hall appointed 21<sup>st</sup> October 2013

Daniel Desplat appointed 8<sup>th</sup> July 2009

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

### **Principal activities**

i) The principal activities of the group during the financial year were the processing of credit card payments and direct debits on behalf of Australian e-commerce merchants and related businesses.

ii) There has been no significant change in the nature of these activities during the financial year.

### **Results**

iii) The consolidated profit after income tax attributable to the members of the group was \$807,393 (2018: \$449,372).

### **Review of operations**

iv) A review of the operations of the group during the financial year and the results of those operations are as follows:

- The group's operations
  - Processing credit card transactions for ecommerce merchants and deducting a fee from these transactions.
  - Processed transactions volume has grown since last period and margins have remained consistent.
  - The underlying drivers of and reasons for the group's performance remain the same as last year, with no key developments in the reporting period, and no significant factors affecting the group's results.
  - There is one key operating segment of the business.
- The financial position of the group
  - The wholesale rate that the Company acquires transaction at and the retail rate that is received for the processing of transactions remains consistent with prior periods.
  - The accounting information and other details relevant to an understanding of the financial position of the group are:
    - There have been no significant changes in assets and liabilities as a result of major business acquisitions or disposals.
    - There have been no changes in the funding or dividend strategy of the group.
    - There is no doubt about the group to continue as a going concern.
    - There have been no impacts of any unrecognised assets and/or any exposures not recognised in the financial statements.
    - There have been no unusual contractual conditions.
    - There has been no modification by the group's auditor in the audit report.

v)

### **Significant changes in the state of affairs**

vi) There have been no significant changes in the group's state of affairs during the financial year.

### **Subsequent events**

- The following movements on the board occurred post 30<sup>th</sup> June 2019.

Daniel Desplat resigned 18<sup>th</sup> July 2019

John O'Connor appointed 18<sup>th</sup> July 2019

Michael Clarke appointed 6<sup>th</sup> August 2019

On 1<sup>st</sup> July 2019, the contract with Robyn Gunnis was adjusted to reflect an increase in workload and responsibility.

On 1<sup>st</sup> July 2019, a deed of variation to the contract with Peter Hall, which was agreed to on 1<sup>st</sup> of March 2019, was reflected in the full agreement.

On 29<sup>th</sup> August 2019, the group signed a settlement agent agreement with SR Global Solutions Pty Ltd, (trading as Merchant Warrior), for the provision of electronic commerce transactions services.

On 5<sup>th</sup> September 2019, the Company completed a share consolidation, converting every two ordinary shares into one new ordinary share. As a result of the share consolidation the number of shares issued at June 30, 2019 reduced from 16,475,298 to 8,237,676.

At a shareholders meeting on December 13, 2019 the shareholders approved a resolution to approve the buy-back of 1,350,000 consolidated shares issued at \$0.012 issued to corporate advisors in lieu of payment for services relating to the listing of SQID on the Canadian Stock Exchange. The shares were initially issued to corporate advisors for expected future services and were cancellable under certain circumstances. The advisors formally agreed that all shares issued were to be bought back and cancelled at the original subscription price. The shares were replaced by invoices for services provided from October 1, 2018 to October 31, 2019 with the costs recognized as "Listing expenses".

The invoices were settled by the issue of ordinary shares as follows.

<b>Entity</b>	<b>shares at \$0.30</b>	<b>total value</b>
Tripoint Global Equities LLC	139,917	\$41,975
First Growth Funds Limited	151,515	\$45,454
Shape Capital Pty Ltd	684,848	\$205,454

There are no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### **Likely developments**

The group plans to list its shares on the Canadian Stock Exchange (CSE). Depending on compliance requirements this is expected to occur between September 2019 and June 2020. The group also plans on recruiting a CEO to facilitate the ongoing growth of the group.

### **Environmental regulation**

vii) The group's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

### **Dividend paid, recommended and declared**

No dividends were paid, declared or recommended since the start of the financial year.

viii)

**Information on directors and company secretary**

The qualifications, experience and special responsibilities of each person who has been a director of the group at any time during or since 1 July 2018 is provided below, together with details of the company secretary as at the year end.

- |   |   |
|---|---|
| Andrew Sterling<br>Cert IV in Financial Services, Diploma of Financial Services                 | <ul style="list-style-type: none"> <li>• Over 30 years of banking and finance experience including senior positions at ANZ &amp; Citibank.</li> <li>• Member of Audit &amp; Remuneration Committees.</li> <li>• No other directorships of listed companies were held at any time during the three years prior to 30 June 2019.</li> </ul> |
| Peter Hall<br>BSc, MBA  | <ul style="list-style-type: none"> <li>• Over 35 years of experience as a company director, entrepreneur and professional advisor to businesses.</li> <li>• No other directorships of listed companies were held at any time during the three years prior to 30 June 2019.</li> </ul>   |
| Daniel Desplat  | <ul style="list-style-type: none"> <li>• Founding investor in the company.</li> <li>• No other directorships of listed companies were held at any time during the three years prior to 30 June 2019.</li> </ul>   |
| Lee Horobin –<br>Company Secretary<br>B.Bus (Acc), B.Bus (Acc) (Hons), MBA,<br>CPA, GAICD, ACIS | <ul style="list-style-type: none"> <li>• Over 15 years of experience in finance and governance roles across varied industries and organisation types.</li> </ul>  |

**Directors' meetings**

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	<b>Board of Directors</b>		<b>Audit Committee</b>	
	<b>Eligible to attend</b>	<b>to Attended</b>	<b>Eligible to attend</b>	<b>to Attended</b>
Andrew Sterling	10	10	1	1
Peter Hall	10	10	1	1
Daniel Desplat	10	10	1	1

**Directors' interests in shares or options**

Directors' relevant interests in shares of SQID Technologies Ltd or options over shares in the company as at the date of signing this report are detailed below.

<b>Directors' relevant interests in:</b>	<b>Ordinary shares of SQID Technologies Ltd</b>	<b>Options over shares in SQID Technologies Ltd</b>
Andrew Sterling	1,806,600	-
Daniel Desplat	987,161	-
Peter Hall	-	-

**Indemnification and insurance of directors, officers and auditors**

During the financial year, the group has paid premium amounted to \$5,995 insuring all the directors and the officers against any payment they shall become legally obligated to make (excluding fines, penalties or exemplary damages), legal costs and expenses arising out of any claims made against them jointly or severally by reason of wrongful acts including breach of duty or trust, neglect, error, misstatement or misleading statement, omission, breach of warranty of authority or other act done or wrongly attempted whilst acting in their capacity as director or officer of the nominated company.

ix)

**Proceedings on behalf of the company**

No person has applied for leave of Court to bring proceedings on behalf of the company or any of its subsidiaries.

**Auditor's independence declaration**

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

**Non-audit services**

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners Brisbane network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the group and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the group or any of its related entities, acting as an advocate the group or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of the group or any of its related entities.

**Non-audit services (Cont'd)**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Amounts paid and payable to Pitcher Partners Brisbane for non-audit services:</b>		
Corporate valuation services	3,500	-
	<hr/> 3,500	<hr/> -
<b>Total auditors' remuneration for non-audit services</b>	<hr/> <b>3,500</b>	<hr/> <b>-</b>

**Rounding of amounts**

x)

xi) In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar (where indicated).

xii)

xiii) Signed on behalf of the board of directors.

xiv)



xv) Peter Hall - Director

xvi)

Brisbane

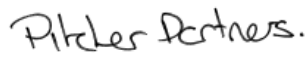
Date December 18, 2019

- xvii)  
xviii)  
xix)           **AUDITOR'S INDEPENDENCE DECLARATION**  
xx)           **To the Directors of SQID Technologies Ltd.**  
xxi)  
xxii)           In relation to the independent audit for the year ended 30 June 2019, to the best of my knowledge and belief there have been no contraventions of the auditor independence requirements of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of SQID Technologies Ltd and the entities it controlled during the year.



**NIGEL BATTERS**  
Partner



**PITCHER PARTNERS**  
Brisbane

**Date** December 18, 2019

xxiii)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019	2018
		\$	\$
<b>Revenue and other income</b>			
Revenue from contracts with customers	4	5,354,525	3,120,212
Interest income		49,000	16,861
		<u>5,403,525</u>	<u>3,137,073</u>
<b>Less: Expenses</b>			
Direct transaction costs	5	3,154,989	1,878,737
Employee expense	5	181,063	161,595
Depreciation and amortisation	5	51,382	37,707
Consultancy fees	22, 23	317,060	274,848
Professional fees		118,506	18,157
Listing costs	23	89,838	-
IT & hosting costs		61,498	43,090
Other expenses	22, 23	281,467	103,115
		<u>4,255,803</u>	<u>2,517,249</u>
<b>Profit before income tax expense</b>		<b>1,147,722</b>	<b>619,824</b>
Income tax expense	6	340,329	170,452
<b>Profit for the year</b>		<b>807,393</b>	<b>449,372</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>807,393</b>	<b>449,372</b>
<b>Basic earnings per share</b>	21	<b>0.049</b>	<b>0.033</b>
<b>Diluted earnings per share</b>	21	<b>0.049</b>	<b>0.033</b>

The above statement should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Notes	2019 \$	2018 \$
<b>Current assets</b>			
Cash and cash equivalents	7	1,126,600	641,811
Merchant Float	8	722,210	440,984
Receivables	9	194,111	205,259
Other financial assets	10	1,375,424	490,723
Prepayments	11	45,742	8,274
<b>Total current assets</b>		<b>3,464,087</b>	<b>1,787,051</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	1,654	2,766
Intangible assets	13	202,496	206,211
Deferred tax assets	6	581,064	921,393
<b>Total non-current assets</b>		<b>785,214</b>	<b>1,130,370</b>
<b>Total assets</b>		<b>4,249,301</b>	<b>2,917,421</b>
<b>Current liabilities</b>			
Payables	14, 23	986,246	473,811
Other liabilities	15	639,215	654,444
Provisions	16	37,915	25,975
<b>Total current liabilities</b>		<b>1,663,376</b>	<b>1,154,230</b>
<b>Total liabilities</b>		<b>1,663,376</b>	<b>1,154,230</b>
<b>Net assets</b>		<b>2,585,925</b>	<b>1,763,191</b>
<b>Equity</b>			
Share capital	17	6,544,627	6,529,286
Retained earnings / (accumulated losses)	18	(3,958,702)	(4,766,095)
<b>Total equity</b>		<b>2,585,925</b>	<b>1,763,191</b>

The above statement should be read in conjunction with the accompanying notes.

- **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
- **FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Share capital</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
<b>Balance as at 1 July 2017</b>	6,529,286	(5,215,467)	1,313,819
Profit for the year	-	449,372	449,372
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>449,372</b>	<b>449,372</b>
<b>Balance as at 30 June 2018</b>	<b>6,529,286</b>	<b>(4,766,095)</b>	<b>1,763,191</b>
<b>Balance as at 1 July 2018</b>	<b>6,529,286</b>	<b>(4,766,095)</b>	<b>1,763,191</b>
Shares issued	15,341	-	15,341
Profit for the year	-	807,393	807,393
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>807,393</b>	<b>822,734</b>
<b>Balance as at 30 June 2019</b>	<b>6,544,627</b>	<b>(3,958,702)</b>	<b>2,585,925</b>

The above statement should be read in conjunction with the accompanying notes.



**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**2. FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		5,991,259	3,444,737
Payments to suppliers and employees		(4,688,521)	(2,769,321)
Interest received		49,000	16,861
<b>Net cash provided by operating activities</b>	20(a)	<b><u>1,351,738</u></b>	<b><u>692,277</u></b>
<b>Cash flow used in investing activities</b>			
Payment for property, plant and equipment		(551)	(1,452)
Payment for software asset		(46,038)	(85,162)
Payment for investments		(835,701)	(238,841)
Payment for other non-current assets		-	(12,500)
<b>Net cash used in investing activities</b>		<b><u>(882,290)</u></b>	<b><u>(337,955)</u></b>
<b>Cash flow from financing activities</b>			
Issuance of share capital		15,341	-
<b>Net cash from in investing activities</b>		<b><u>15,341</u></b>	<b><u>-</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>484,789</b>	<b>354,322</b>
Cash and cash equivalents at beginning of year	20(b)	<u>641,811</u>	<u>287,489</u>
<b>Cash and cash equivalents at end of the year</b>	7	<b><u><u>1,126,600</u></u></b>	<b><u><u>641,811</u></u></b>

The above statement should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

### Table of Contents

□	NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICES.....	2
□	NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS .....	12
□	NOTE 3: FINANCIAL RISK MANAGEMENT .....	12
□	NOTE 4: REVENUE FROM CONTRACTS WITH CUSTOMERS.....	16
□	NOTE 5: PROFIT BEFORE INCOME TAX.....	16
□	NOTE 6: INCOME TAX.....	16
□	NOTE 7: CASH AND CASH EQUIVALENTS.....	17
□	17	
□	NOTE 8: MERCHANT FLOAT .....	17
□	NOTE 9: RECEIVABLES.....	18
□	NOTE 10: OTHER FINANCIAL ASSETS.....	20
□	20	
□	NOTE 11: OTHER CURRENT ASSETS.....	20
□	NOTE 12: PROPERTY PLANT AND EQUIPMENT .....	20
□	NOTE 13: INTANGIBLE ASSETS .....	21
□	NOTE 14: PAYABLES.....	21
□	NOTE 15: OTHER LIABILITIES.....	21
□	NOTE 16: PROVISIONS.....	21
□	NOTE 17: SHARE CAPITAL .....	22
□	NOTE 18: ACCUMULATED LOSSES .....	22
□	NOTE 19: INTERESTS IN SUBSIDIARIES .....	22
□	NOTE 20: CASH FLOW INFORMATION .....	23
□	NOTE 21: EARNINGS PER SHARE .....	24
□	NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION .....	24
□	NOTE 23: RELATED PARTY DISCLOSURES .....	24
□	26	
□	NOTE 24: AUDITOR'S REMUNERATION .....	26
□	NOTE 25: PARENT ENTITY INFORMATION .....	26
□	NOTE 26: SUBSEQUENT EVENTS.....	27

**NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2019**

• **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICES**

The following are the significant accounting policies adopted by SQID Technologies Ltd (the company) and its controlled entities (the group) in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Basis of preparation of the financial report**

(a) *Compliance*  
*with IFRS*

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

This financial report is a general-purpose financial report that has also been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

(b) The  
financial report covers SQID Technologies Ltd and its controlled entities as a group. SQID Technologies Ltd is a company limited by shares, incorporated and domiciled in Australia. The address of the group's registered office and principal place of business is 63 Westgate Street, Wacol QLD 4076. The group is a for-profit entity for the purpose of preparing the financial report.

(c) The  
financial report was approved by the directors as at the date of the directors' report.  
xxiv) In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar (where indicated).

(d) All amounts  
are presented in Australian dollars.

(e) *Historical*  
*cost convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(f) *Fair value*  
*measurement*

(g) For financial  
reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

(h) When  
estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

(i) *Significant*

The above statement should be read in conjunction with the accompanying notes.

*accounting estimates and judgements*

The preparation of the financial report requires the use of certain estimates and judgements in applying the group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the consolidated financial statements.

**(b) New and revised accounting standards effective at 30 June 2019**

The group has applied all new and revised International Financial Reporting Standards that apply to annual reporting periods beginning on or after 1 July 2018, including IFRS 9 Financial Instruments (IFRS 9) and IFRS 15 Revenue from Contracts with Customers (IFRS 15).

IFRS 9 replaces IAS 39: Financial Instruments: Recognition and Measurement. The key changes introduced by IFRS 9 in relation to the accounting treatment for financial instruments include:

- Simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value;
- Permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);
- Simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;
- Requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- Introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- Introducing a new 'expected credit loss' impairment model (replacing the 'incurred loss' impairment model of previous accounting standard).

In accordance with the transition requirements of IFRS 9, the group has elected to apply IFRS 9 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017).

The group has also applied to consequential amendments to IFRS 7 Financial Instruments: Disclosure and IFRS 9 Financial Instruments, to the disclosure of information about the Group's financial instruments for the current financial year, and the comparative reporting period.

**The impact on the classification and measurement of its financial instruments is set out below.**

*Financial assets*

The Company classifies its financial assets in the following categories: at fair market value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Financial assets at FVTPL*

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise.

*Financial assets at FVTOCI*

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

*Financial assets at amortised cost*

Financial assets at amortised cost are initially recognized at fair value and subsequently carried at amortised cost less any impairment. They are classified as current assets or non-current assets based

The above statement should be read in conjunction with the accompanying notes.

on their maturity date.

**(b) New and revised accounting standards effective at 30 June 2019 (Cont'd)**

Financial assets are derecognised when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on de-recognition of financial assets classified as FVTPL or amortised cost are recognised in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company completed an assessment of its financial instruments as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

Account	Original classification - IAS 39	New classification - IFRS 9
Cash and cash equivalents	Loans and receivables amortised cost	–Amortised cost
Receivables	Loans and receivables amortised cost	–Amortised cost
Other Financial Assets	Other Financial Asset – amortised cost	Amortised cost
Accounts payable and accrued liabilities	Other financial liabilities amortized cost	–Amortised cost

*Impairment of financial assets at amortized cost*

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balance of the Company's receivables, the Company has no material loss allowance at adoption or as at December 31, 2018.

The application of IFRS 9 has not materially impacted the classification and measurement of the group's financial assets and financial liabilities in the current and prior years.

Further details of the group's accounting policies in relation to accounting for financial instruments under IFRS 9 are contained in note 1(h).

IFRS 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, IAS 18 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The application of IFRS 15 has not materially impacted the recognition and measurement of the group's revenue from contracts with customers in the current and prior years.

Further details of the group's accounting policies in relation to accounting for revenue from contracts with customers under IFRS 15 are contained in note 1(q).

**(c) Going concern**

The financial report has been prepared on a going concern basis.

**(d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks. Bank overdrafts, if any, are shown within borrowings in current liabilities in the consolidated statement of financial position.

**(e) Merchant Float**

Merchant float is the gross amounts received from merchants' transactions which are settled to merchants (net of the group's fees) on the next business day. These funds are effectively funds held in trust by the group, and they are therefore excluded from the balance of cash and cash equivalents.

**(f) Employee benefits**

*(i) Short-term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled.

The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

*(ii) Other long-term employee benefit obligations*

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high-quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

*(iii) Termination benefits*

The group recognises an obligation and expense for termination benefits at the earlier of: (a) the date when the group can no longer withdraw the offer for termination benefits; and (b) when the group recognises costs for restructuring and the costs include termination benefits. In either case, the obligation and expense for termination benefits is measured on the basis of the best estimate of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before twelve months after the end of the reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

**(g) Events after the reporting period**

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas, events after the reporting period that are indicative of conditions that arose after the reporting period (i.e., which did not exist at the reporting date) are excluded from the determination of the amounts recognised in the financial statements.

**xxv) (h) Financial instruments**

*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

*Classification of financial assets*

Financial assets, cash and cash equivalents, merchant floats, receivables and other financial assets are subsequently measured in their entirety at amortised cost.

*Receivables*

Trade and other receivables arise from the group's transactions with its customers and are normally settled within 30 days.

Consistent with both the group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

*Other financial assets*

Other financial assets pertain to funds invested by the group with Australia's largest non-bank home loan lender.

Consistent with both the group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, other financial assets are subsequently measured at amortised cost.

*Classification of financial liabilities*

The group's financial liabilities, which include payables and other liabilities, are subsequently measured at amortised cost.

*Impairment of financial assets*

Payables are recognised by the group are subsequently measured at amortised cost. These are normally settled with seven days of end of month.

Other liabilities comprise merchant bonds which have no set duration. They are used as security over accounts and can be increased or reduced at the group's discretion. They are used to recover outstanding amounts and are only repayable to the merchant six month after the merchant ceases trading with the group.

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

- (a) debt instruments at amortised cost; and



(b) receivables from contracts with customers and contract assets.

**(h) Financial instruments (Cont'd)**

The group applies the simplified approach under IFRS 9 to measuring the allowance for credit losses receivables from contracts with customers.

The group has identified contractual payments more than 180 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the group's historical experience.

**(i) Goods and services tax (GST)**

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(j) Impairment of non-financial assets**

Intangible assets with definite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use (where 'value in use' is determined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit).

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income, to the extent that it does not exceed the amount in the revaluation surplus for the same asset. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

**(k) Income tax**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(l) Intangible Assets**

*Patents*

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, separately acquired intangible assets are recognised at cost and amortised over 20 years on a straight-line basis commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, separately acquired intangible assets are measured at cost, less accumulated amortisation (where applicable) and any accumulated impairment losses.

*IT software development costs*

An intangible asset arising from development is recognised when the group can demonstrate all of the following:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) its intention to complete the intangible asset and use or sell it;
- (iii) its ability to use or sell the intangible asset;
- (iv) how the intangible asset will generate probable future benefits;
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs incurred in developing IT software are initially recognised as an asset and are subsequently amortised over 5 years on a straight-line basis commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, IT software development costs recognised as an intangible asset are measured at cost, less accumulated amortisation and any accumulated impairment losses.

**(m) Other revenue and other income**

Interest revenue is measured in accordance with the effective interest method.

All revenue is measured net of the amount of goods and services tax (GST).

**(n) Principles of consolidation**

The consolidated financial statements are those of the group, comprising the financial statements of the parent entity and all of the entities the parent controls. The group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-group balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income and the statement of financial position respectively.

**(o) Plant and equipment**

Each class of plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

*Plant and equipment*

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

*Depreciation*

The depreciable amount of plant and equipment is depreciated over their estimated useful lives on a straight-line basis commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset

	<b>2019</b>	<b>2018</b>
Plant and equipment:	3 to 10 years	3 to 10 years

**(p) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

**(q) Revenue from contracts with customers**

The group derives revenue from the provision of payment solutions for which the group levies a flat fee plus a percentage of the value of the transaction being processed.

Transaction fee revenue is recognised at a point in time as performance obligations are met when services are provided to the customer, that is, funds are settled to merchants for transactions net of the fees the group is owed under contract.

The group levies a flat fee for chargebacks upon receiving notification from its bank that a chargeback claim has been made by a merchant's customer. This fee is reversed if the merchant can prove that the customer's claim is invalid. Where a chargeback is valid, the group will recover the value of the chargeback transaction itself along with the fee from the merchant.

**(r) Direct transaction costs**

Direct transaction costs are the costs charged to the group by transaction acquirers (banks). These costs also include the costs passed on by the card schemes to the banks. These expenses are recognised in the period they are incurred.

**(s) Leases**

The group has no long-term finance or operating leases.

**(t) Equity Settled Share-based payments**

An equity-settled share-based payment transaction is a share-based payment transaction in which the group:

- (i) receives or is to receive goods or services as consideration for its own equity instruments; or
- (ii) receives or is to receive goods or services but has no obligation to settle the transaction with the supplier.

The cost recognised is based on the fair value of the goods or services received or to be received by the group and is recognised over the period the services are provided.

**(u) Correction of prior period**

The following adjustments have been noted in the prior year financial statement amounts:

- (i) On-costs have not been included in calculating employee provisions in previous years. A prior period adjustment has been made to recognise on-costs on employee provisions;
- (ii) A provision for credit card scheme fines was recorded as at 30 June 2018 but the amount and probability of this being paid cannot be estimated reliably. A prior period adjustment has been made to reverse this provision;
- (iii) The group's IT software developer has spent a significant amount of time in customising the Group's merchant system to cater the operating needs of the Group, thus in accordance to IAS 38 *Intangible Assets*, a prior period adjustment has been made to capitalise portion of his salary that is attributable to IT software and amortise it over 5 years;
- (iv) Assets and liabilities were materially understated as the merchant clearing (payable) account has been historically recorded "net" of merchant receivables. A prior period adjustment has been made to recognise the merchant receivable balance and gross up the merchant clearing account; and,
- (v) A prior period adjustment has been made to calculate the impact of the above adjustments on the income tax expense and deferred tax assets.

Basic and diluted earnings per share for the prior period has been restated by \$0.07 cents to \$0.033 as a result of the above corrections

		Prior period \$	Restatement \$	Restated Amount \$
<i>Consolidated statement of financial position (extract)</i>				
Receivables	(iv)	13,275	191,984	<b>205,259</b>
Intangibles assets	(iii)	111,335	94,876	<b>206,211</b>
Deferred tax assets	(v)	960,377	(38,984)	<b>921,393</b>
Payables	(iv)	281,827	191,984	<b>473,811</b>
Provisions	(i), (ii)	73,401	(47,426)	<b>25,975</b>
Retained earnings, 1 July 2017		(5,254,205)	38,738	<b>(5,215,467)</b>
<i>Consolidated statement of profit or loss and other comprehensive income (extract)</i>				
Employee benefits expense	(i), (iii)	244,183	(82,588)	<b>161,595</b>
Depreciation and amortisation	(iii)	8,683	29,024	<b>37,707</b>
Other expenses	(ii)	153,115	(50,000)	<b>103,115</b>
Income tax expense	(v)	131,468	38,984	<b>170,452</b>

The above statement should be read in conjunction with the accompanying notes.

• **NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

*(a) Impairment of non-financial assets*

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the group. Impairment triggers include technology changes, adverse changes in the economic or political environment and future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

*(b) Income tax*

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

• **NOTE 3: FINANCIAL RISK MANAGEMENT**

The group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Other market risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The group holds the following financial instruments:

	2019	2018
<b>Financial assets</b>	<b>\$</b>	<b>\$</b>
<u>Amortised cost:</u>		
- Cash and cash equivalents (note 7)	1,126,600	641,811
- Merchant float (note 8)	722,210	440,984
- Receivables (note 9)	194,111	205,259
- Other financial assets (note 10)	1,375,424	490,723
	3,418,345	1,778,777
<b>Financial liabilities</b>		
<u>Amortised cost:</u>		
- Payables (note 14)	986,246	473,811
- Other liabilities (note 15)	639,215	654,444
	1,625,461	1,128,255

**(a) Interest rate risk**

The group is exposed to interest rate risk in relation to its other financial assets. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The above statement should be read in conjunction with the accompanying notes.

The group does not actively manage interest rate risk.

**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 44 121 655 472**

**(a) Interest rate risk (Cont'd)**

The following table outlines the group's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities:

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
<b>30 June 2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>	
<i>(i) Financial assets</i>					
Cash	-	1,126,600	1,126,600	0.2%	n/a
Merchant Float	-	722,210	722,210	0.0%	n/a
Receivables	-	194,111	194,111	0.0%	n/a
Other financial assets	1,375,424	-	1,375,424	4.0%	Variable
<b>Total financial assets</b>	<b>1,375,424</b>	<b>2,042,921</b>	<b>3,418,345</b>	<b>1.7%</b>	
<i>(ii) Financial liabilities</i>					
Payables	-	986,246	986,246	n/a	n/a
Other liabilities	-	639,215	639,215	n/a	n/a
<b>Total financial liabilities</b>	<b>-</b>	<b>1,625,461</b>	<b>1,625,461</b>	<b>n/a</b>	
<b>30 June 2018</b>					
<i>(i) Financial assets</i>					
Cash	-	641,811	641,811	0.2%	n/a
Merchant Float	-	440,984	440,984	0.0%	n/a
Receivables	-	205,260	205,260	0.0%	n/a
Other financial assets	490,723	-	490,723	5.8%	Variable
<b>Total financial assets</b>	<b>490,723</b>	<b>1,288,055</b>	<b>1,778,778</b>	<b>1.8%</b>	
<i>(ii) Financial liabilities</i>					
Payables	-	473,811	473,811	n/a	n/a
Other liabilities	-	654,444	654,444	n/a	n/a
<b>Total financial liabilities</b>	<b>-</b>	<b>1,128,255</b>	<b>1,128,255</b>	<b>n/a</b>	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

If interest rates were to increase/decrease by 1 basis point from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact on profit for the year and equity would be as follows:

	<b>2019</b>	<b>2018</b>
+/- 1 basis point	<b>\$</b>	<b>\$</b>
Impact on profit after tax	201	66
Impact on equity	201	66

**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the counterparty by failing to discharge an obligation.

The above statement should be read in conjunction with the accompanying notes.

The group is exposed to credit risk to the extent that customers may incur chargeback volumes that exceed the funds to be settled to them, and the group is subsequently unable to recover these funds.

**(b) Credit Risk (Cont'd)**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date of recognised financial assets is the carrying amount of those assets, net of any allowance for credit losses, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The group has significant merchant concentration risks, however, each merchant is assessed prior to and during their relationship with the group as to their perceived credit risk, and where necessary, a bond (other liabilities) is taken from the merchant. This merchant bond can be adjusted from time to time. The total value of merchant bonds held is \$639,215 (2018: \$654,444).

The group does not have any material credit risk exposure to any single counterparty or group of counterparties under financial instruments entered into by the group.

xxvi) Cash and cash equivalents and other financial assets

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks as well as having funds invested with Australia's largest non-bank home loan lender.

xxvii) Receivables from contracts with customers

Credit risk for receivables from contracts with customers is managed by transacting with as large number of customers as possible, undertaking credit checks for all new customers and setting credit limits for all customers commensurate with their assessed credit risk. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The group maintains strong current and quick ratios to ensure the risk of illiquidity is minimal.

The following table outlines the group's remaining contractual maturities for non-derivative financial liabilities. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the group can be required to pay.

	<b>&lt; 6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying amount</b>
<b>30 June 2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Payables	986,246	-	-	986,246	986,246
Other liabilities	-	639,215	-	639,215	639,215
	986,246	639,215	-	1,625,461	1,625,461
<b>30 June 2018</b>					
Payables	473,811	-	-	473,811	473,811
Other liabilities	-	654,444	-	654,444	654,444
	473,811	654,444	-	1,128,255	1,128,255

The above statement should be read in conjunction with the accompanying notes.



**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 44 121 655 472**

	2019	2018
	\$	\$
<b>• NOTE 4: REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
Revenue recognised at a point in time:		
Transaction fees	5,210,395	3,008,702
Chargeback fees	144,130	111,510
	5,354,525	3,120,212
 <b>• NOTE 5: PROFIT BEFORE INCOME TAX</b>		
Profit before income tax has been determined after the following specific expenses:		
<i>Cost of goods sold</i>	3,154,989	1,878,737
Transaction processing fees	3,154,989	1,878,737
 <i>Employee benefits expense</i>		
Wages	166,391	155,082
Superannuation guarantee contributions	14,672	6,513
	181,063	161,595
 <i>Depreciation of non-current assets</i>		
Plant and equipment	1,628	1,073
	1,628	1,073
 <i>Amortisation of non-current assets</i>		
Intangible assets	49,754	36,634
	49,754	36,634
 <b>• NOTE 6: INCOME TAX</b>		
<i>(a) Components of tax expense:</i>		
Deferred tax	340,329	170,452
	340,329	170,452
 <i>(b) Income tax reconciliation</i>		
The prima facie tax payable on profit before income tax at 27.5% (2018: 27.5%) is as follows:		
Income tax expense attributable to profit	315,624	170,452
Less tax effect of:		
- Non-deductible expenses	24,705	-
	340,329	170,452

The above statement should be read in conjunction with the accompanying notes.

**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 44 121 655 472**

	2019	2018
	\$	\$
<b>NOTE 6: INCOME TAX (Cont'd)</b>		
<i>(c) Deferred tax</i>		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Tax losses carried forward	561,976	909,560
Accrued expenses	12,252	4,690
Employee benefits	10,427	7,143
	584,655	921,393
 <i>Deferred tax liabilities</i>		
The balance comprises:		
Prepayments	3,591	-
	3,591	-
 <i>Net deferred tax assets</i>	 581,064	 921,393
 <i>(e) Deferred income tax expense included in income tax expense comprises</i>		
Decrease in deferred tax assets	340,329	170,452
	340,329	170,452
 <b>• NOTE 7: CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	1,126,600	641,811
	1,126,600	641,811
 <b>• NOTE 8: MERCHANT FLOAT</b>		
<b>CURRENT</b>		
Merchant float	722,210	440,984
	722,210	440,984

The above statement should be read in conjunction with the accompanying notes.

**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 44 121 655 472**

	2019	2018
	\$	\$
<b>• NOTE 9: RECEIVABLES</b>		
CURRENT		
Receivables from contracts with customers	194,111	205,259
Allowance for credit losses	-	-
	194,111	205,259

Receivable from contracts with customers represent the group's unconditional right to consideration arising from the transfer of goods or services to the customer. In the vast majority of instances, transactions fees are paid for during the process of settling funds to merchants.

Cash bonds are secured from merchants as collateral for their accounts, refer note 15. All receivable from contracts with customers can be recovered by drawing down on a merchant's bond as and if required.

Impairment of receivables from contracts with customers and other receivables

The group applies the simplified approach under IFRS 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the IFRS 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The group determines expected credit losses using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset.

The following table provides information about the risk profile of receivables from contracts with customers using a provision matrix. The information in the below table does not distinguish between customer or product types as the group's historical credit loss experience does not show different patterns for different customer or product types.

**Credit risk profile of receivables from contracts with customers**

	Not due	Days past due				Total
		past < 30	30 - 90	90 - 180	> 180	
	\$	\$	\$	\$	\$	\$
<b>30 June 2019</b>						
Estimated total gross carrying amount at default	181,611	-	-	12,500	-	194,111
Expected credit loss rate	0%	0%	0%	0%	0%	
Expected credit loss	-	-	-	-	-	-
<b>30 June 2018</b>						
Estimated total gross carrying amount at default	205,260	-	-	-	-	205,260
Expected credit loss rate	0%	0%	0%	0%	0%	

Collateral held as security

The above statement should be read in conjunction with the accompanying notes.

Bonds are taken from merchants as security given the risk profile of the merchants. These are offset against receivables as required.

**NOTE 9: RECEIVABLES (Cont'd)**

Receivables written off during the year

Receivables written off during the year relates to chargebacks not recovered from merchants. The group recovers the value of chargebacks by reducing settlements to merchants in the first instance, and via reducing the merchant's bond in the second instance. Where chargebacks haven't been recovered after six months, and a merchant has been inactive for all of this time, the funds are written off.

The contractual amount outstanding on receivables that were written off during the year is \$29,688 (2018: \$nil).

	2019	2018
	\$	\$

• **NOTE 10: OTHER FINANCIAL ASSETS**

CURRENT

Financial assets at amortised cost:

- Units in residential mortgage fund <sup>(1)</sup>

	1,375,424	490,723
	1,375,424	490,723

- (1) These investments have been acquired by the group principally for the purpose of investment of excess cash. Distribution statements are received monthly detailing the value of the investment and interest earned. These held by the group in a business model whose objective is collecting contractual cash flows that are solely payments of principal and interest. Accordingly, these investments are classified (and measured) at amortised cost.

•

• **NOTE 11: OTHER CURRENT ASSETS**

Prepayments

	45,742	8,274
	35,742	8,274

• **NOTE 12: PROPERTY PLANT AND EQUIPMENT**

*Plant & equipment*

At cost

	6,031	5,515
--	-------	-------

Accumulated depreciation

	(4,377)	(2,749)
--	---------	---------

	1,654	2,766
--	-------	-------

(a) *Reconciliation*

Carrying amount at beginning of year

	2,766	3,839
--	-------	-------

Additions

	551	-
--	-----	---

Depreciation expense

	(1,663)	(1,073)
--	---------	---------

Carrying amount end of year

	1,654	2,766
--	-------	-------

**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 44 121 655 472**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>• NOTE 13: INTANGIBLE ASSETS</b>		
<i>Patents</i>		
At cost	153,393	153,393
Accumulated impairment loss	(90,722)	(83,112)
	62,671	70,281
<i>Reconciliation</i>		
Carrying amount at beginning of year	70,281	77,891
Amortisation	(7,610)	(7,610)
Carrying amount end of year	62,671	70,281
<i>Capitalised Software Development</i>		
At cost	233,733	187,695
Accumulated impairment loss	(93,908)	(51,765)
	139,825	135,930
<i>Reconciliation</i>		
Carrying amount at beginning of year	135,930	79,792
Additions	46,038	85,162
Amortisation	(42,143)	(29,024)
Carrying amount end of year	139,825	135,930
 Total intangible assets	 202,496	 206,211
<b>• NOTE 14: PAYABLES</b>		
CURRENT		
Trade payables	72,198	24,429
Settlement clearing	487,549	247,720
Other payables	426,499	201,662
	986,246	473,811
<b>• NOTE 15: OTHER LIABILITIES</b>		
CURRENT		
Merchant Bonds	639,215	654,444
	639,215	654,444
<b>• NOTE 16: PROVISIONS</b>		
CURRENT		
Employee benefits	37,915	25,975
	37,915	25,975

The above statement should be read in conjunction with the accompanying notes.

**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 44 121 655 472**

	2019	2018
<b>• NOTE 17: SHARE CAPITAL</b>	<b>\$</b>	<b>\$</b>
<i>(a) Issued and paid up capital</i>		
Ordinary shares	16,475,298	13,775,298

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	<b>Parent Equity</b>		<b>Parent Equity</b>	
	<b>2019</b>		<b>2018</b>	
	<b>No of Shares \$</b>		<b>No of Shares \$</b>	
Beginning of the financial year	13,775,298	6,529,286	13,775,298	6,529,286
Shares issued for advisory services at \$0.006	2,700,000	15,341	-	-
End of the financial year	16,475,298	6,544,627	13,775,298	6,529,286

On June 19, 2019, the Company issued 2,700,000 ordinary shares for total proceeds of \$15,341. The shares were issued in exchange for services to be performed subsequent to the year-end. The shares were cancellable under certain conditions. See Note 26.

*(c) Rights of each type of share*

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

**• NOTE 18: ACCUMULATED LOSSES**

Balance at beginning of year	(4,766,095)	(5,215,467)
Net profit attributable to members of the group	807,393	449,372
Balance at end of year	(3,958,702)	(4,766,095)

**• NOTE 19: INTERESTS IN SUBSIDIARIES**

The consolidated financial statements include the financial statements of SQID Technologies Ltd and its controlled entities listed below:

	<b>Country of incorporation</b>	<b>Percentage owned</b>	
		<b>2019</b>	<b>2018</b>
<i>Parent Entity:</i>			
SQID Technologies Ltd	Australia		
<i>Controlled entities of Parent Entity</i>			
SQID Payments Pty Ltd	Australia	100%	100%
EFT Managed Services Pty Ltd	Australia	100%	100%

The above statement should be read in conjunction with the accompanying notes.

**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 44 121 655 472**

	2019	2018
<b>• NOTE 20: CASH FLOW INFORMATION</b>	<b>\$</b>	<b>\$</b>
<i>(a) Reconciliation of cash flow from operations with profit after income tax</i>		
Profit from ordinary activities after income tax	807,393	449,372
 <i>Non-Cash Items</i>		
Amortisation	49,753	36,634
Depreciation	1,663	1,073
Receivables written off	29,688	-
 <i>Changes in assets and liabilities</i>		
(Increase)/decrease in merchant float	(281,225)	(20,015)
(Increase)/decrease in receivables	(18,539)	(12,918)
(Increase)/decrease in other assets	(37,468)	(20,015)
(Increase)/decrease in deferred taxes	340,329	167,323
(Decrease)/increase in payables	463,433	20,111
(Decrease)/increase in provisions	11,940	-
(Decrease)/increase in other liabilities	(15,229)	70,712
Net cash flow from operating activities	1,351,738	692,277
 <i>(b) Reconciliation of cash</i>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:		
– Cash at bank and on hand	1,126,600	641,811
Closing cash balance	1,126,600	641,811

The above statement should be read in conjunction with the accompanying notes.



**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 44 121 655 472**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>• NOTE 21: EARNINGS PER SHARE</b>		
Reconciliation of earnings used in calculating earnings per share:		
Profit from operations	807,393	449,372
Profit used in calculating basic and diluted earnings per share	807,393	449,372
	<b>No of Shares</b>	<b>No of Shares</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	16,475,298	13,775,298
Basic and diluted earnings per share	0.049	0.033

**• NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION**

Short-term benefits	398,704	274,848
	<u>398,704</u>	<u>274,848</u>

**• NOTE 23: RELATED PARTY DISCLOSURES**

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the years ended June 30, 2019 and 2018. The following table provides the total amount of transactions with related parties for the years ended June 30, 2019 and 2018 and outstanding payables as at June 30, 2019 and 2018:

	Transaction	Amount (\$)		Payables (\$)	
		2019	2018	2019	2018
	Sigrist Design Pty Ltd <sup>(1)</sup>	11,400	-	11,400	-
	Other Expenses				
	First Growth Funds Limited <sup>(2)</sup>	22,727	-	22,727	-
	Listing expenses				
	Shape Capital Pty Ltd <sup>(3)</sup>	61,636	-	61,636	-
	Listing expenses				
	Directors and senior officers	317,060	194,848	37,017	24,174
	Consulting fees				
	Directors and senior officers	80,000	80,000	-	-
	Other expenses				
	Directors and senior officers	1,644	-	-	-
	Employee expenses				

<sup>(1)</sup> Director Peter Hall has a beneficial interest in Sigrist Design Pty Ltd which rents out office space as well as being the registered office for the Group. This arrangement commenced January 2019.

<sup>(2)</sup> First Growth Funds Limited issued an invoice dated November 1, 2019 for \$45,455 for advisory services provided from December 2018 to October 31, 2019 related to the listing of the Company on the Canadian Stock Exchange (CSE). Services included in the invoice were due diligence review of operations, financial analysis, benchmark analysis and market sounding activity. The above amount represents costs incurred for the year ended June 30, 2019. First Growth Funds Limited is a major shareholder in the company, holding 15.42% of shares as at the date of this report.

The above statement should be read in conjunction with the accompanying notes.

<sup>(3)</sup> Shape Capital Pty Ltd. issued an invoice dated November 1, 2019 for \$205,455 for advisory services provided from Nov. 2018 to October 31, 2019 related to the listing of the Company on the CSE. Services included in the invoice were analysis and due diligence review of the Company's business model, operations, agreements, risk assessment, investor criteria, listing options, going public process and public exchange options and listing criteria. The above amount represents costs incurred for the year ended June 30, 2019. A director and the owner of Shape Capital Pty Ltd, Anoosh Manzoori, is also the CEO of First Growth Funds Limited.

**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 44 121 655 472**

	2019	2018
	\$	\$
<b>• NOTE 24: AUDITOR'S REMUNERATION</b>		
Amounts paid and payable to Pitcher Partners Brisbane for:		
<i>(i) Audit and other assurance services</i>		
An audit or review of the financial report of the parent entity and any other entity in the group <sup>(1)</sup>	35,140	-
An audit or review of the financial report of the parent entity and any other entity in the group <sup>(2)</sup>	25,000	-
Total remuneration for audit and other assurance services	60,140	-
<i>(ii) Other non-audit services</i>		
Corporate valuation services	3,500	-
Total remuneration for non-audit services	3,500	-
 Total remuneration of Pitcher Partners Brisbane	 63,640	 -

(1) Fee for calendar year 2016, 2017 & 2018 audits.

(2) Estimated fee for year-ended 30th June 2019 audit.

Amounts paid to SAAS Pty Ltd for:

An audit or review of the financial report of the parent entity and any other entity in the group <sup>(3)</sup>	-	18,000
Total remuneration for SAAS Pty Ltd	-	18,000

(3) Fee for year-ended 30th June 2018 audit.

**• NOTE 25: PARENT ENTITY INFORMATION**

Summarised presentation of the parent entity, SQID Technologies Limited, is shown below:

*(a) Summarised statement of financial position*

**Assets**

Current assets	206,809	460,182
Non-current assets	707,379	1,032,242
Total assets	914,188	1,492,424

**Liabilities**

Current liabilities	129,598	12,833
Total liabilities	129,598	12,833

**Net assets**

	784,590	1,479,591
--	---------	-----------

**Equity**

Share capital	6,529,286	6,529,286
Accumulated losses	(5,744,696)	(5,049,695)
Total equity	784,590	1,479,591

*(b) Summarised Statement of Profit or Loss and Other Comprehensive Income*

Profit for the year	(732,264)	(301,182)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(732,264)	(301,182)

The above statement should be read in conjunction with the accompanying notes.

**NOTE 25: PARENT ENTITY INFORMATION (Cont'd)**

*(c) Parent entity information*

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for the following.

SQID Technologies Limited and its wholly owned subsidiaries have formed a tax-consolidated group as entities have joined the group; SQID Payments Pty Ltd in 2013 and then EFT Managed Services Pty in 2014.

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

SQID Technologies Ltd did not provide any guarantees to any of its subsidiaries as at 30 June 2019.

• **NOTE 26: SUBSEQUENT EVENTS**

- The following movements on the board occurred post-30<sup>th</sup> June 2019.

Daniel Desplat resigned 18<sup>th</sup> July 2019

John O'Connor appointed 18<sup>th</sup> July 2019

Michael Clarke appointed 6<sup>th</sup> August 2019

On 1<sup>st</sup> July 2019, the contract with Robyn Gunnis was adjusted to reflect an increase in workload and responsibility.

On 1<sup>st</sup> July 2019, a deed of variation to the contract with Peter Hall, which was agreed to on 1<sup>st</sup> of March 2019, was reflected in the full agreement.

Michael Clarke, a director of SQID, is also a director of First Growth Funds Limited, which is a promoter of SQID.

On 29<sup>th</sup> August 2019, the group signed a settlement agent agreement with SR Global Solutions Pty Ltd, (trading as Merchant Warrior), for the provision of electronic commerce transactions services.

On 5<sup>th</sup> September 2019, the Company completed a share consolidation, converting every two ordinary shares into one new ordinary share. As a result of the share consolidation the number of shares issued at June 30, 2019 reduced from 16,475,298 to 8,237,676.

At a shareholders meeting on December 13, 2019 the shareholders approved a resolution to approve the buy-back of 1,350,000 consolidated shares issued at \$0.012 issued to corporate advisors in lieu of payment for services relating to the listing of SQID on the Canadian Stock Exchange. Pursuant to agreements dated June 2019, the shares were initially issued to corporate advisors for expected future services and were cancellable under certain circumstances. The agreements were cancelled on October 31 and November 1, 2019 and the advisors formally agreed that all shares issued were to be bought back and cancelled at the original subscription price. The shares were cancelled on December 13, 2019. The shares were replaced by invoices for services provided from October 1, 2018 to October 31, 2019 with the costs recognized as "Listing expenses".

The invoices were settled by the issue of ordinary shares as follows.

<b>Entity</b>	<b>Shares at \$0.30</b>	<b>Total value</b>
Tripoint Global Equities LLC	139,917	\$41,975
First Growth Funds Limited	151,515	\$45,454
Shape Capital Pty Ltd	684,848	\$205,454

There are no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**DIRECTORS DECLARATION**

The directors declare that:

3. In the directors' opinion, the financial statements and notes thereto, as set out on pages 8 to 33:
  - (b) comply with International Financial Reporting Standards as stated in Note1(a)
  - (c) give a true and fair view of the financial position of the group as at 30 June 2019 and of its performance for the year ended on that date.
  
4. In the directors' opinion there are reasonable grounds to believe that SQID Technologies Ltd and its controlled entities will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors for the financial year ending 30 June 2019.

This declaration is made in accordance with a resolution of the directors.

NAME: Peter Hall  
Director



Brisbane  
Date December 18, 2019



Level 38, 345 Queen Street  
Brisbane, QLD 4000

Postal address  
GPO Box 1144  
Brisbane, QLD 4001

**p.** +61 7 3222 8444

## **Independent Auditor's Report to the Members of SQID Technologies Limited**

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of SQID Technologies Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group presents fairly, in all material respects:

- (a) the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with International Financial Reporting Standards ("IFRS").

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Matter*

The financial report of the Group for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that financial report on 10 August 2019.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's Directors report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



*Responsibilities of the Directors for the Financial Report*

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with IFRS and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Pitcher Partners.*

PITCHER PARTNERS

*Nigel Batters*

NIGEL BATTERS  
Partner

Brisbane, Queensland  
December 18, 2019

## Schedule "A-2")

### MD&A for the financial year ended June 30, 2019

#### DISCLAIMER FOR FORWARD-LOOKING INFORMATION

Certain statements in this Management Discussion and Analysis are forward-looking statements or information (collectively "forward-looking statements"). The Company is providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "anticipates", "is expected to", "estimates", "intends", "plans", "projection", "could", "vision", "objective", "goals" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the Company. These forward-looking statements include, among other things, statements relating to the ability of the Company to generate revenue; use of funds; intentions to further develop, market and promote its operations by expansion of its merchant base and industries served in Australia; strategy for customer retention, growth, service development, market position and financial results; the success of marketing and sales efforts of the Company; the Company's efforts to continuously update its software to meet business requirements; future sales plans and strategies; the economy and other future conditions; the timeline to further develop and market future enhancements; unanticipated cash needs and the possible need for additional financing and the adoption of governance policies, committees and practices.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to: a downturn in general economic conditions; the ability of the Company to continue to generate revenue adequate to fund its business plans and operations; the ability of the Company to expand its operations in Australia; competitive conditions in the industry which could prevent the Company from continuing to be profitable; competition from other payment process providers who are well established with the financial capacity to overwhelm the ability of the Company to operate in Australia, security risks; increasing costs of being a publicly traded company, the possibility that our services may become further regulated; the effectiveness and efficiency of advertising and promotional expenditures to generate market interest in the Company's products and services; the inability to list on a public market; volatility of the Company's share price following listing; liquidity and the inability to secure additional financing; the Company's intention not to pay dividends in the near future; claims, lawsuits and other legal proceedings and challenges; conflict of interest with directors and management and other factors beyond the Company's control.

These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of June 30, 2019, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "*Risk Factors and Uncertainties*".

## **1.1 – Date and Basis of Discussion & Analysis**

This management discussion and analysis (“MD&A”) is dated as of December 18, 2019 and should be read in conjunction with the audited financial statements of SQID Technologies Limited for the year ended June 30, 2019 (“the Financial Statements”). The Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). Unless expressly stated otherwise, all financial information is presented in Australian dollars.

## **1.2 – Overall Performance**

### **Nature of Business**

SQID Technologies Limited (the “Company” or “SQID”) was incorporated on September 8, 2006 under the *Business Corporations Act* (Australia) with the name QPAY Holdings Ltd. On December 8, 2015, its name changed to SQID Technologies Limited. The Company has one active wholly owned operating subsidiary, SQID Payments Pty Ltd. and one inactive wholly owned subsidiary EFT Managed Services Pty Ltd. The company has no reporting or business segments.

The address of the Company’s registered and records office, corporate office and principal place of business, is 63 Westgate Street, Wacol, Queensland, Australia, 4076. As of June 30, 2019, the Company’s principal business activity was electronic payment processing under contract.

The growth of mobile use and application use in e-commerce payment processing is driven by the rise of businesses wanting to disrupt outdated or obsolete legacy operations. The challenge for businesses is to keep the legacy application functional, while converting to new, more efficient code that makes use of current technology and programming language.

This is where SQID believes the opportunity lies. The Company developed its unique patented software for payment processing in 2006 and has operated under its current business model since 2014. The Company is a payment processor (“Payment Processor”) and operates as a relationship payment provider and payment facilitator for credit card purchases and bank transfers (“*Transactions*”). The Company’s legacy software has evolved since 2006 to keep up with the continuous changes in technology. Although the Company no longer relies completely on the technology protected by its patents, they are still important for the protection of the Company’s core software code which is essential to the delivery of *Transactions*.

SQID is proactively and continuously updating its software to incorporate new codes, technology and programming language while ensuring it is system agnostic. SQID monitors developing trends in agnostic payment integration, biometrics, blockchain, peer to peer payments and crypto currency as they apply to the Company’s software to ensure the software is updated in-house, in a timely manner. This approach applies to potential acquisitions, partners and subsidiaries.

The Company has developed software technology to operate as payment processor, offering relationship payment provider and payment facilitator services for credit card purchases and bank transfers. This is particularly relevant in environments where remote payments for goods and services are made for financial services and electronic payments.

## 1.2 – Overall Performance (continued)

### Nature of Business (continued)

In the three fiscal years ended June 30, 2019, June 30, 2018 and June 30, 2017 the Company has been operating as a Payment Processor in Australia. The business has evolved over the last three years following a restructuring in 2014 to establish itself as a relationship payment provider and payment facilitator in the payment processing industry, which specializes in delivering ecommerce solutions to businesses that have their 'card-not-present' commercial outcomes dependent on two or more businesses. This has delivered sizeable growth in revenue as the model is based on engaging referrers, who then refers additional merchants.

The Company has concentrated on building relationships with merchants and providing incentives to merchants for referrals to new business opportunities. This has resulted in the growth level experienced with minimal overhead and resources.

### Explanation of the Payment Process

A merchant must work with an acquiring bank, which is a bank or financial institution that accepts credit or debit card transactions for a cardholder ("*Acquiring Bank*"). The *Acquiring Bank* issues a specific merchant account number to a merchant enabling the merchant to accept credit and debit cards from shoppers. An *Acquiring Bank* is a registered member of a card network such as Visa or MasterCard ("*Card Network*"). The *Acquiring Bank* accepts transactions on behalf of a *Card Network* for a merchant.

Payment processors enable merchants to receive debit or credit card payments online by providing a connection to an *Acquiring Bank* ("*Payment Processors*"). The *Card Network* connects *Acquiring Banks* to the customer's issuing bank so that a customer transaction can be verified. When a customer uses a debit or credit card for a purchase, the *Acquiring Bank* will approve or decline the transactions based on the information the on the *Card Network* and issuing bank have on record about that cardholder's account. The merchant submits the purchase transaction information to SQID, the *Payment Processor*, used by its acquiring bank, via a payment gateway (SQID's software that facilitates the communication of transaction information). Assuming approval, the amount of the transaction is deducted from the cardholder's account and the cardholder is given a receipt.

SQID's technology is structured to allow layered access to payment and merchant transactions data such as payments through franchisees (referred merchants) under a franchisor (referring merchant). The business model integrates these retail and wholesale layers and provides split settlements between each layer. This allows the franchisor to receive settlements in parallel to the franchisee. This provides a platform for commission structures and transaction-based rewards that are settled at the same time as the underlying transaction is settled. The model is applicable to affiliate marketing, rewards programs, franchises, marketplace apps, agencies, etc.

Dynamic Onboarding also allows the referring merchant (like a franchisor) to onboard the merchant (referred merchant) applicant data to SQID at the same time as enrolling to their own system, to reduce friction in the sign on process and loss of control of the sales channel to third parties like payment gateways.

The Company deploys industry standard fraud management tools to minimize the occurrence of cardholder and merchant fraud. SQID also carries a bond or security reserve from the merchant to cover any potential fraud loss.

As a *Payment Processor* SQID has contracts with merchants to handle transactions from various channels such as credit and debit card for merchant *Acquiring Banks*.

## **1.2 – Overall Performance (continued)**

### **Description of Business (continued)**

#### Explanation of the Payment Process (continued)

SQID provide merchant services and transaction processing to business merchants, ecommerce platforms, charities and community organizations. The Company receives a merchant fee, which is a percentage of the transaction value and also in some cases, a fee per transaction.

The Company may also generate revenue for SMS related services such as payment reminder notifications and marketing services. The Company is able to provide ecommerce, payment links, virtual point of sale (POS) terminal access for use on desktop computers or mobile phones.

All merchants have a direct relationship with SQID, which with its software and services provides payment transactions seamlessly.

SQID enables all parties to benefit through our split settlement scheme, dynamic onboarding (onboarding for the business and merchant account in parallel) and our responsive API payment technology that talks to innovative platforms including, but not inclusive only of, SaaS, Mobile applications, mobile franchise business models and other disruptive technologies. The end result is delivery of smarter conversion of business products and services in card-not-present environments.

- (1) “SMS” means a “Short Messaging Service” and is centered around cell phone texting and allows businesses to text customers with payment reminders and accept payment via cell phone.
- (2) “Split Settlement Scheme” enables a single transaction to be simultaneously settled to both the referring merchant and the referred merchant’s banks by the Company.
- (3) “Dynamic Onboarding” provided by the Company to merchants enables easy sign-up, banking integration, pre population of customer information, risk mitigation, onboarding APIs and customization options and immediate set up to begin transactions. A referring merchant is also able to onboard a referred merchant to their own business model and as a SQID merchant as well.

Onboarding is the process of getting a customer up to speed with an API, (Application of Programming Interface) and is a technical communication through which a merchant can sign up for an account.

It is currently operating only in Australia and focuses on online training, social media marketing, SaaS developers and e-commerce developers. High availability hosted servers are located in Sydney Australia with Amazon Web Services, and development servers in Sydney and Brisbane, Australia. This technology can easily be replicated in other jurisdictions that have Amazon Web Services available.

SQID sees an opportunity to reconnect to our merchant customers in the payment cycle and enable them to benefit in the transactional processing, not just the value of the transaction. SQID’s current approach is a move from a referral sales model only to a more proactive direct sales mode with existing merchant clients and new merchants. It allows more than one transaction point to deliver split settlements, and incentivizes referring merchants with a referral fee, to scale this service by onboarding new referred merchants. This is very attractive for high volume card-not-present business models that are tiered, hosts or provide services to e-commerce businesses. To facilitate this new focus, SQID is reviewing how we can value add to our ‘relationship payment’ business model through strategic partnerships with key referrers such as e-commerce web developers, franchisors, and SaaS developers and with merchant referrals. SaaS (software as a service) is a software distribution model where third-party providers host applications and makes them available).

## **1.2 – Overall Performance (continued)**

### **Description of Business (continued)**

#### Process Payment Agreements

The Company's active subsidiary, SQID Payments Pty Ltd. has two agreements with two acquiring banks, *Westpac* and *Merchant Warrior*. The Company has established settings in its software to determine which of the acquiring banks is chosen for each merchant.

*Westpac* is located in the city of Sydney, New South Wales, Australia. Initially, the Company's now inactive subsidiary, QPay Pty Ltd. signed an agreement called the Aggregator Master Merchant Business Solution Card Acceptance Agreement dated January 29, 2009 with *Westpac*. Pursuant to a novation agreement dated December 12, 2013 among *Westpac*, QPay Pty Ltd. and *SQID Payments*. *QPay Pty Ltd. was replaced by SQID Payments as the contracting party with Westpac*. The 2009 and 2013 agreements are collectively (the "*Westpac Agreement*").

The *Westpac Agreement* reflects the terms of *Westpac*'s license with cardholders such as Visa and MasterCard so *Westpac* is obligated to make its agreements with its payment processors ("SQID") reflect the *Card Scheme Rules*. The *Westpac Agreement* therefore contains standard mandatory terms for banks carrying out their role in the payment process system. *Westpac* can unilaterally amend the *Westpac Agreement* and terminate it for no reason.

*Westpac* must provide written consent to any change of the ownership of the Company, its principal business activities, type of goods or services supplies to the sub-merchant and those supplied by the sub-merchants to its customers and any assignment of the *Westpac Agreement*.

The *Westpac Agreement* provides for variation such as new fees or changes, new government charges and any other variation ("Variation"). *Westpac* can also change the terms and conditions of the *Westpac Agreement* at any time and notify SQID Payments. No changes have been made to the terms and conditions. Variations have been made by *Westpac*. SQID Payments is responsible for ensuring that Sub-Merchants are notified of any changes arising from the Variations. Use of the Merchant Facility by the Sub-Merchants following such Variations is deemed acceptance.

Since then Variations have been made in processing methods, card scheme rules, risk management practices, reporting and onboarding of merchants have changed. *Westpac* sends out guidelines. An example is that Visa banned online pharmaceuticals and advised *Westpac* (as their acquirer) who advised SQID that online pharma had been moved to the "prohibited" category. If there is a change required by the Card Schemes with a specified time frame, *Westpac* and Squid work out a time frame to implement the change. If there is a policy change from *Westpac*, *Westpac* and Squid also work out a time frame.

## 1.2 – Overall Performance (continued)

### Description of Business (continued)

#### Process Payment Agreements (continued)

Practices that have evolved:

- (i) SQID operates one merchant facility covering all sub-merchants within a sub-industry
- (ii) onboarding of new sub-merchants is governed by categories of prohibited merchants, merchants requiring Westpac consent and merchants which do not require Westpac consent,
- (iii) Credit card authorizations do not always take place prior to a sale,
- (iv) Verification of the identities of the sub-merchants rather than cardholders,
- (v) Storage by SQID and each sub-merchant of encrypted cardholder data rather than names, and
- (vi) Westpac charges a fixed base percentage fee and additional interchange and scheme fees.

Given the importance of the services provided by *Westpac* to SQID's business, the Company's compliance with any new policies or practices set by *Westpac* is required in order for SQID to continue to function in reliance on its arrangement with *Westpac*. The Company considers this acceptable commercial practice in the circumstances and common to payment facilitators to comply with the *Card Schemes Rules* within Australia.

In August 2019, the Company signed an agreement with a second *Acquiring Bank*, *Merchant Warrior*, located in the city of Brisbane, Queensland, Australia dated August 29, 2009 called the Settlement Agent Agreement, the ("Merchant Warrior Agreement)". *Merchant Warrior* provides services comparable to those of *Westpac*.

*SQID Payments* and *Westpac* have been in discussions regarding updating the *Westpac Agreement* to align it more closely with current practices in respect of transactions processing methods, *Card Scheme Rules*, risk management practices reporting and onboarding of merchants. SQID does not anticipate a new agreement being entered into within the next 12 months and any timetable for a new agreement is up to *Westpac*. Such a new agreement would be expected to contain similar onerous provisions for SQID, given the *Westpac Agreement* is key to the operation of SQID's business and having regard to the services being provided by *Westpac*. Importantly, SQID expects *Westpac* to retain their right to terminate for convenience at any time. The Company has not received any indication from *Westpac* that it plans to terminate the *Westpac Agreement*. Given the continuous reporting obligations owed by SQID to *Westpac* and the common commercial interest of both SQID and *Westpac*, the Company's Board of directors have no reason to believe that SQID Payments' relationship with *Westpac* will not continue to operate in the manner it now does.

Regular reporting obligations include reports about the level of prepayment exposure and *Westpac* determines the quarantined reserve funds (currently \$185K cash) that are held as part of the fixed amount for a General Security Agreement (currently \$250K) granted by the Company to *Westpac*. The Company also retains merchant reserves as a bond form merchants based on risk and prepayment exposure determined by the Company. There is proactive management by both SQID and *Westpac* that has resulted in the successful processing of transactions from 2009 to the present.

- From 2009 to June 30, 2018, 906,000 transactions with a value of \$154,000,000 were processed.
- During the year ended June 30, 2019, 794,000 transactions were processed with a value of \$163,000,000.
- Total aggregate transactions from 2009 to June 30, 2019 is 1,700,000 with an aggregate value of \$317,000,000.

## **1.2 – Overall Performance (continued)**

### **Description of Business (continued)**

#### Process Payment Agreements (continued)

*Westpac* approves any sub merchants who are required to have accounts and contracts with *Westpac*. *Westpac* charges a fixed percentage on the dollar value of each transaction and SQID Payments pays a nominal fee for new sub-merchant applications and charge backs.

SQID has given a broad indemnity to *Westpac* for all requirements of its agreement with *Westpac* and the obligations of the sub-merchants to *Westpac* on a full indemnity basis. The following is a brief summary of the Company's obligations and liabilities:

- (i) maintain an aggregator account with *Westpac*,
- (ii) maintain all connections between *SQID Payments* and each sub-merchants website and *Westpac* and the security of the connections,
- (iii) conduct due diligence on all sub-merchants to ensure they are *Westpac* approved businesses and can satisfy the obligations and responsibilities under the *Westpac Agreement* and warrant same to *Westpac*,
- (iv) ensure compliance by the sub-merchants with their agreement with *Westpac* and *Westpac* rules,
- (v) compliance by the Company and sub-merchants with the *Card Scheme Rules*,
- (vi) the Company is responsibility for the sub-merchant actions, omissions and debts due by merchants to *Westpac*. SQID retains merchant reserves as a bond from merchants based on risk and prepayment exposure (currently AUD\$640,000),
- (vii) inspect data breaches of the sub-merchants and ensure inspections and monitoring of sub-merchant account by *Westpac*,
- (viii) resolving all disputes with cardholders,
- (ix) sub-merchant compliance with policies for exchanges, return of merchandise, credit and delivery of goods

*Merchant Warrior* is located in the city of Brisbane, Queensland, Australia and is a provider of electronic commerce transactions services for fixed fees. SQID Payments Pty. Ltd. signed an agreement dated August 29, 2009 with *Merchant Warrior* called the Settlement Agent Agreement, the *Merchant Warrior Agreement*. The following is a brief summary of the Company's obligations and liabilities:

- 1) responsible for vetting the sub-merchants who will utilize the services,



- 2) the sole point of contact for all matters regarding the services and ensure all necessary contracts are in place,
- 3) subject to *Merchant Warrior* amending any policy in relation to the services to improve security, efficiency or performance in delivery of the services,
- 4) responsibility for maintaining security of all information and compliance by it and its sub-merchants with the *Card Scheme Rules*,
- 5) termination by *Merchant Warrior* of the *Merchant Warrior Agreement* on 30 days if SQID is in non-compliance with any material terms of the *Merchant Warrior Agreement*, on 90 days for specified reasons, insolvency, non-compliance with the *Card Scheme Rules* and security requirements, change in the holder of the controlling interest in *Merchant Warrior*,

### 1.2 – Overall Performance (continued)

- 6) maintaining the security of all confidential information,
- 7) provide reasonable access to SQID personnel and equipment to discuss and assess any problems or request for assistance
- 8) indemnifying *Merchant Warrior* against all liabilities and expenses of any kind as a result of breach of the *Merchant Warrior Agreement*,

### Description of Business (continued)

#### Process Payment Agreements (continued)

- 9) provide a security deposit of \$50,000 which must be maintained at that level at all times or a bank guarantee or deposit bond for the same amount payable on demand,
- 10) achieve at least 80% of minimum transactional volumes as follows:

#### Forecast Volume per Day

11) Milestone periods	12) At 6 months	13) At 12 months	14) At 18 months
15) Total sales volume achieved	16) \$500,000	17) \$1,000,000	18) \$1,500,000

If the Company fails to meet the required threshold, *Merchant Warrior* may review the performance, subject to Force Majeure event,

*Merchant Warrior's* aggregate liability is limited, in its discretion to replacement or repair of the services, refunding payments made by clients for services. Neither party is responsible for consequential losses. Dispute resolution is by arbitration of the courts.

### Results and Financing

At June 30, 2019, the Company had achieved the third consecutive year of profitable operations. The Company had accumulated a deficit of \$3,958,702 (2018 – \$4,766,095) and had working capital of \$1,785,370 (2018 – \$632,821), consisting primarily of cash and other financial assets. The company has been self-sustaining for the past 4 years and expects to remain so into the future. The Company expects to maintain profitable operations, and the Company has plans to grow its revenue through expanding current markets and expansion into new markets with a more efficient sales model. The Company's ability to continue as a going concern is dependent upon its ability to continue to generate future profitable operations and to successfully expend its markets.

On September 5, 2019, the Company consolidated the Ordinary Shares on two old Ordinary Shares for one new Ordinary Shares. To date, the Company has financed expansion from net profit from operations.

### 1.3 – Selected Annual Information

	<b>As at</b>	<b>June 30 2019</b>	<b>June 30 2018</b>	<b>June 30 2017</b>
Current Assets		3,448,746	1,787,051	960,365
Other Assets		785,214	1,130,370	1,239,434
Total Assets		<u>4,233,960</u>	<u>2,917,421</u>	<u>2,199,799</u>
Current Liabilities		1,663,376	1,154,230	885,980
Shareholders' Equity		6,529,286	6,529,286	6,529,286
Deficit		<u>(3,958,702)</u>	<u>(4,766,095)</u>	<u>(5,215,467)</u>
Total Liabilities and Shareholders' Equity		<u>4,233,960</u>	<u>2,917,421</u>	<u>2,199,799</u>
	<b>Years Ended</b>	<b>June 30 2019</b>	<b>June 30 2018</b>	<b>June 30 2017</b>
Revenue		5,403,525	3,137,074	2,256,258
Cost of Sales		<u>(3,154,989)</u>	<u>(1,878,737)</u>	<u>(1,252,045)</u>
Gross Profit		2,248,536	1,258,337	1,004,213
Operating Expenses		(1,100,814)	(638,513)	(598,937)
Income Tax (expense) recovery		<u>(340,329)</u>	<u>(170,452)</u>	<u>1,117,833</u>
Profit & Comprehensive Profit for Period		<u>807,393</u>	<u>449,372</u>	<u>1,523,109</u>
Basic and diluted earnings per share		0.06	0.03	0.11
Weighted average number of Ordinary Shares outstanding		16,475,298	13,775,298	13,775,298

## **1.4 – Results of Operations**

Operations during the year ended June 30, 2019 were primarily related to continuing to grow their market and refine their sales approach. There were no legal proceedings, contingent liabilities, and defaults under debt or other contractual obligations, breach of any laws or special resolutions during the year ended June 30, 2019.

### **Annual**

During the year ended June 30, 2019, the Company recorded income of \$5,403,525 (2018 – \$3,137,073), comprised of revenue from contracts of \$5,176,974 (2018 – \$2,984,443), other revenue of \$177,551 (2018 – \$135,769) and interest of \$49,000 (2018 – \$16,861). Revenue from contracts grew by 173% as a result of increased number of customers and increase volume per customer.

During the year ended June 30, 2019, the Company incurred expenses of \$4,255,803 (2018 – \$2,517,249). These expenses consisted of direct transaction costs and operating expenses. Direct transaction costs are the direct costs incurred to process their service contracts to earn revenue from contracts. Operating expenses are the costs to operate the other business activities of the Company.

During the year ended June 30, 2019, the Company incurred direct transaction costs of \$3,154,989 (2018 – \$1,878,737), related to the revenue from contracts and other revenue which resulted in gross profit of \$2,199,536 (2018 – \$1,241,475). The gross profit margin was 41.1% (2018 – \$39.8%). The increase in gross profit margin was due to an increase in the average merchant transaction value.

During the year ended June 30, 2019, the Company incurred operating expenses of \$1,100,814 (2018 – \$638,512), consisting of other expense of \$281,467 (2018 – \$103,115), consultancy fees of \$317,060 (2018 – \$274,848), employee benefits expense of \$181,063 (2018 – \$161,595), professional fees of \$118,506 (2018 – \$18,157), listing costs of \$89,838 (2018 – \$nil), IT and hosting costs of \$61,498 (2018 – \$43,090) and depreciation and amortisation expenses of \$51,382 (2018 – \$37,707). Listing expenses were incurred related to a listing on the CSE. Professional fees were higher in 2019 due to expenditure on corporate advisory costs around the public listing on the CSE. Other expenses were higher in 2019 due to legal, audit and consultancy fees related to exploring a public listing on the Australian Stock Exchange as well as merchant bad debts, rent and software costs. The remaining expenses were generally consistent or slightly higher due to increased software costs & IT consumables, other legal expenses, audit fees and office rent.

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

<b>As at</b>	<b>30-Jun-19</b>	<b>31-Mar-19</b>	<b>31-Dec-18</b>	<b>30-Sep-18</b>	<b>30-Jun-18</b>	<b>31-Mar-18</b>	<b>31-Dec-17</b>	<b>30-Sep-17</b>
<b>Current Assets</b>								
Bank	3,224,234	3,126,828	4,139,160	1,908,292	1,573,520	1,225,095	1,418,471	1,312,111
Accounts Receivable	194,111	58,567	80,055	107,724	205,259	148,477	112,052	107,724
Other Current Assets	45,742	10,627	18,221	16,452	8,272	14,774	19,919	16,452
<b>Total Current Assets</b>	<b>3,464,087</b>	<b>3,196,022</b>	<b>4,237,436</b>	<b>2,032,467</b>	<b>1,787,051</b>	<b>1,388,346</b>	<b>1,550,442</b>	<b>1,436,287</b>
<b>Non-Current Assets</b>								
Intangible Assets	202,496	105,627	107,530	109,432	206,211	113,237	115,140	109,432
Fixed Assets	1,654	1,932	2,210	2,488	2,766	3,106	3,445	2,488
Deferred Tax Asset	581,064	652,532	749,802	864,406	921,393	976,544	1,091,845	864,406
<b>Total Non-current Assets</b>	<b>785,214</b>	<b>760,091</b>	<b>859,542</b>	<b>976,326</b>	<b>1,130,370</b>	<b>1,092,887</b>	<b>1,210,429</b>	<b>976,326</b>
<b>Total Assets</b>	<b>4,249,301</b>	<b>3,956,114</b>	<b>5,096,978</b>	<b>3,008,793</b>	<b>2,917,421</b>	<b>2,481,232</b>	<b>2,760,872</b>	<b>2,412,613</b>
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts Payable	72,198	83,908	25,593	30,778	24,429	26,601	26,480	30,778
Other Liabilities	639,215	642,886	642,886	642,676	654,444	653,594	553,713	642,676
Other Payables	951,963	912,739	2,305,253	471,458	475,357	146,782	541,917	471,458
<b>Total Current Liabilities</b>	<b>1,663,376</b>	<b>1,639,533</b>	<b>2,973,732</b>	<b>1,144,913</b>	<b>1,154,230</b>	<b>826,978</b>	<b>1,122,110</b>	<b>1,144,913</b>
<b>Total Liabilities</b>	<b>1,663,376</b>	<b>1,639,533</b>	<b>2,973,732</b>	<b>1,144,913</b>	<b>1,154,230</b>	<b>826,978</b>	<b>1,122,110</b>	<b>1,144,913</b>
<b>Net Assets</b>	<b>2,585,925</b>	<b>2,316,580</b>	<b>2,123,246</b>	<b>1,863,880</b>	<b>1,763,191</b>	<b>1,654,255</b>	<b>1,638,761</b>	<b>1,267,700</b>
<b>Equity</b>								
Share Capital	6,544,627	6,529,286	6,529,286	6,529,286	6,529,286	6,529,286	6,529,286	6,529,286
Retained Earnings	(3,958,702)	(4,212,706)	(4,406,040)	(4,665,406)	(4,766,095)	(4,875,031)	(4,890,525)	(4,665,406)
<b>Total Equity</b>	<b>2,585,925</b>	<b>2,316,580</b>	<b>2,123,246</b>	<b>1,863,880</b>	<b>1,763,191</b>	<b>1,654,255</b>	<b>1,638,761</b>	<b>1,863,880</b>

Quarters Ended	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18	31-Dec-17	30-
Card Revenue from contracts with customers	1,538,375	1,474,526	1,433,843	907,696	813,615	734,859	832,621	
SMS Revenue from contracts with customers	5	14	28	38	32	533	641	
Interest Income	17,658	15,306	11,717	4,319	4,959	6,536	2,565	
	1,556,038	1,489,846	1,445,588	912,053	818,606	741,928	835,828	
Direct Transaction Costs	908,144	879,722	840,394	526,728	474,877	456,893	504,898	
Employee benefits expense	45,266	45,266	45,266	45,266	40,399	40,399	40,399	
Depreciation and amortisation	44,840	2,181	2,181	2,181	31,266	2,242	2,223	
Consultancy fees	81,551	98,881	68,637	67,991	65,597	76,916	66,480	
Professional fees	29,950	48,556	20,000	20,000	4,402	4,582	4,403	
Listing expenses	41,556	39,282	9,000	-	-	-	-	
IT & hosting costs	17,874	15,073	16,274	12,277	11,102	10,391	11,458	
Other expenses	61,385	70,280	69,867	79,935	27,757	26,085	25,459	
	1,230,566	1,199,241	1,071,618	754,377	655,400	617,507	655,320	
<b>Profit before Tax</b>	<b>325,472</b>	<b>290,604</b>	<b>373,970</b>	<b>157,676</b>	<b>163,206</b>	<b>124,420</b>	<b>180,508</b>	
Income Tax	71,468	97,270	114,604	56,987	55,151	115,301	-	
<b>Profit for the quarter</b>	<b>254,004</b>	<b>193,334</b>	<b>259,366</b>	<b>100,689</b>	<b>108,937</b>	<b>15,493</b>	<b>176,986</b>	
Basic and diluted earnings per share	0.02	0.01	0.02	0.01	0.01	0.00	0.01	
Weighted average number of ordinary shares	16,475,298	13,775,298	13,775,298	13,775,298	13,775,298	13,775,298	13,775,298	13,

### **1.6 – Liquidity and Capital Resources**

The Company's sole source of funding in the past three years has been from profitable operations. The Company is planning to grow into new markets and to increase sales in existing markets and therefore may require additional cash flows. The Company's ability to raise cash depends on various capital market conditions. There is no assurance that the Company will be able to obtain any additional financing on terms acceptable to the Company. The quantity of funds to be raised and the terms of any equity financing that

may be undertaken will be negotiated by management as opportunities to raise funds arise. Actual funding requirements may vary from those planned due to a number of factors

There can be no certainty that the Company's existing cash balances or that the proceeds from the issuance of its Ordinary Shares will provide sufficient funds for all of the Company's cash requirements. Should the need arise, the Company may pursue other financing options. There is no assurance that the Company will be successful in obtaining the funds it may require to sustain operations or that the terms of any financing obtained will be acceptable.

As at June 30, 2019, the Company had cash and cash equivalents on hand of \$1,126,600 (2018 – \$641,811).

During the year ended June 30, 2019, cash provided by operating activities was \$1,367,079 (2018 – \$692,277), cash used in investing activities was \$882,290 (2018 – \$337,955), cash provided by financing activities was nil (2018 – \$nil). The increase in cash provided by operating activities is primarily related to increased revenue and gross profit. The increase in cash used in investing activities is primarily related to the acquisition of investments. Cash provided by financing activities was nil (2018 – \$nil)

Shareholder's equity as at June 30, 2019 was \$2,570,584 (2018 – \$1,763,191). Although the Company has been successful in the past in raising the necessary funding to continue operations, there can be no certainty it will be able to do so in the future.

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

As at June 30, 2019, there were no off-balance sheet arrangements to which the Company was committed.

### 1.09 – Transactions with Related Parties

19)

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the years ended June 30, 2019 and 2018. The following table provides the total amount of transactions with related parties for the years ended June 30, 2019 and 2018 and outstanding payables as at June 30, 2019 and 2018:

20)

	2019	2018
Transactions:		
Consultancy fees		
Fees paid to Peter Hall, CEO and Director <sup>(3)</sup>	\$ 200,000	\$ 200,000
Fees paid to Lee Horobin, CFO <sup>(3)</sup>	\$ 48,760	\$ 49,276
Fees paid to Robyn Gunnis, COO <sup>(3)</sup>	\$ 68,300	\$ 25,572
Other expenses		
Fees paid to Andrew Sterling, Director	\$ 40,000	\$ 40,000
Fees paid to John O'Connor, Director	\$ 40,000	\$ Nil
Employee expenses		
Benefits related to Peter Hall and Lee Horobin	\$ 1,644	\$ Nil
Other expenses		
Rent paid to Sigrist Design Pty Ltd. <sup>(4)</sup>	\$ 11,400	\$ Nil
Listing expenses		
Fees paid to First Growth Funds Limited <sup>(1)</sup>	\$ 22,727	\$ Nil
Fees paid to Shape Capital Pty Ltd. <sup>(2)</sup>	\$ 61,636	\$ Nil
Balances:		
Accounts Payable		
Peter Hall <sup>(3)</sup>	\$ 18,333	\$ 18,333
Lee Horobin <sup>(3)</sup>	\$ 7,682	\$ 3,014
Robyn Gunnis <sup>(3)</sup>	\$ 11,000	\$ 2,827
First Growth Funds Limited <sup>(1)</sup>	\$ 22,727	\$ Nil
Shape Capital Pty Ltd. <sup>(2)</sup>	\$ 61,636	\$ Nil
Sigrist Design Pty Ltd. <sup>(4)</sup>	\$ 11,400	\$ Nil

<sup>(1)</sup> First Growth Funds Limited issued an invoice dated November 1, 2019 for \$45,455 for advisory services provided from December 2018 to October 2019 related to the listing of the Company on the Canadian Stock Exchange (CSE). Services included in the invoice were due diligence review of operations, financial analysis, benchmark analysis and market sounding activity. \$22,727 of the expenses were recognized in the period to June 30, 2019. First Growth Funds Limited is a major shareholder in the Company, holding 15.42% of shares as at the date of this report.

<sup>(2)</sup> Shape Capital Pty Ltd. issued an invoice for \$205,455 dated November 1, 2019 for advisory services provided from November 2018 to October 2019 related to the listing of the Company on the CSE. Services included in the invoice were analysis and due diligence review of the Company's business model, operations, agreements, risk assessment, investor criteria, listing options, going public process and public exchange options and listing criteria. \$61,636 of the expenses were recognized in the period to June 30, 2019. The director and owner of Shape Capital Pty Ltd, Anooch Manzoori, is also the CEO of First Growth Funds Limited.

<sup>(3)</sup> Hall, Horobin and Gunnis invoice SQID for their services monthly in arrears. The invoices are paid in full in the following month.

<sup>(4)</sup> Director Peter Hall has a beneficial interest in Sigrist Design Pty Ltd., which rents out office space as well as being the registered office for the Group. This arrangement commenced January 2019.



## **1.09 – Transactions with Related Parties** (continued)

### **Subsequent events**

At a shareholders meeting on December 13, 2019, the shareholders approved a resolution to approve the buy-back of 1,350,000 consolidated shares issued at \$0.012 issued to corporate advisors in lieu of payment for services relating to the listing of SQID on the Canadian Stock Exchange. Pursuant to agreements dated June 2019, the shares were initially issued to corporate advisors for expected future services and were cancellable under certain circumstances. The agreements were cancelled on October 31 and November 1, 2019 and the advisors formally agreed that all shares issued were to be bought back and cancelled at the original subscription price. The shares were cancelled December 13, 2019. The shares were replaced by invoices for services provided from October 1, 2018 to October 31, 2019 with the costs recognized as "Listing expenses". The advisory fees related to these invoices were recorded in the periods the services were provided.

The invoices were settled by the issue of ordinary shares as follows:

Entity	Shares at \$0.30	Total value
Tripoint Global Equities LLC	139,917	\$ 41,975
First Growth Funds Limited	151,515	\$ 45,454
Shape Capital Pty Ltd	684,848	\$205,454

### **1.10 Fourth Quarter**

During the three months ended June 30, 2019, the Company recorded income of \$1,556,038 (2018 – \$818,606), comprised of revenue from contracts of \$1,493,177 (2018 – 785,860), interest of \$17,658 (2018 – \$4,319) and other revenue of \$44,203 (2018 – \$28,427). Revenue from contracts grew by 190% as a result of increased number of customers and increase volume per customer.

During the three months ended June 30, 2019, the Company incurred expenses of \$1,230,566 (2018 – \$655,400). These expenses consisted of direct transaction costs and operating expenses. Direct transaction costs are the direct costs incurred to process their service contracts to earn revenue from contracts. Operating expenses are the costs to operate the other business activities of the Company.

During the three months ended June 30, 2019, the Company incurred direct transaction costs of \$908,144 (2018 – \$474,877), related to the revenue from contracts and other revenue which resulted in gross profit of \$647,894 (2018 – \$343,729). The gross profit margin was 41.6% (2018 – 42.0%). The gross profit margin has been generally consistent the past two years.

During the three months ended June 30, 2019, the Company incurred operating expenses of \$322,422 (2018 – \$180,523), consisting of consultancy fees of \$123,107 (2018 – \$65,597), other expense of \$61,385 (2018 – \$27,757), employee benefits expense of \$45,266 (2018 – \$40,399), professional fees of \$29,950 (2018 – \$4,402), IT and hosting costs of \$17,874 (2018 – \$11,102) and depreciation and amortisation expenses of \$44,840 (2018 – \$31,266). Other expenses were higher in 2019 due to increased software costs & IT consumables, other legal expenses, audit fees and office rent. Professional fees were higher in 2019 due to expenditure on corporate advisory costs around the public listing.

### **1.11 – Proposed Transactions**

The Company has no proposed transactions as at the date of this document.

### **1.12 – Critical Accounting Estimates**

The Company has outlined the basis of its critical accounting estimates and judgements in Note 2 of the June 30, 2019 Financial Statements.

## **1.13 – Changes in Accounting Policies – International Financial Reporting Standards (“IFRS”)**

### **Future Changes in Accounting Policies**

New accounting standards adopted by the Company:

IFRS 9 *Financial Instruments* - The Company adopted IFRS 9 on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no significant impact on the financial statements.

New accounting standards issued but not yet effective:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

*IFRS 16 Leases* - On January 13, 2016 the IASB issued IFRS 16, “Leases”. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, “Revenue from contracts with customers” at or before the date of initial adoption of IFRS 16.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the new standards, however, there may be enhanced disclosure requirements.

### **21) 1.14 – Financial Instruments and Other Instruments**

The Company’s financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **(i) Currency risk**

The Company’s expenses are denominated in Australian dollars. The Company’s corporate office and current operations are based in Australia and current exposure to exchange rate fluctuations is minimal. This will change if the Company expands its business outside of Australia.

#### **(ii) Interest rate risk**

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

#### **(iii) Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with financial institution.

### **1.14 – Financial Instruments and Other Instruments (continued)**

#### **(iv) Liquidity risk**

In the management of liquidity risk, the Company maintains a balance between continuity of funding and exploration activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

### **1.15 – Other MD&A Requirements**

#### **Share Capital**

The authorized share capital consists Ordinary Shares without par value.

On September 5, 2019, the Company consolidated the ordinary shares on the basis of two old ordinary shares for one new ordinary share.

The total number of ordinary shares issued and outstanding as at June 30, 2019 was 16,475,298 and at the date of this report was 8,237,676. Refer to subsequent events.

As at June 30, 2019 and at the date of this report there were no stock options outstanding.

As at June 30, 2019 and at the date of this report there were no warrants outstanding.

#### **Subsequent events**

The following movements on the Board of Directors occurred subsequent to June 30, 2019:

- On July 18, 2019, Daniel Desplat resigned as a director
- On July 18, 2019, John O'Connor appointed as a director
- On August 6, 2019, Michael Clarke appointed as a director

On July 1, 2019, the contract with Robyn Gunnis was adjusted to reflect an increase in workload and responsibility.

On July 1, 2019, a deed of variation to the contract with Peter Hall, which was agreed to on 1<sup>st</sup> of March 2019, was reflected in the full agreement.

Michael Clarke, a director of SQID, is also a director of First Growth Funds Limited, which is a promoter of SQID.

On August 29, 2019, the group signed a settlement agent agreement with SR Global Solutions Pty Ltd, (trading as Merchant Warrior), for the provision of electronic commerce transactions services.

On September 5, 2019, the Company completed a share consolidation, converting every two ordinary shares into one new ordinary share. As a result of the share consolidation the number of shares issued at June 30, 2019 reduced from 16,475,298 to 8,237,676. Pursuant to agreements dated June 2019, the shares were initially issued to corporate advisors for expected future services and were cancellable under certain circumstances. The agreements were cancelled on October 31 and November 1, 2019 and the advisors formally agreed that all shares issued were to be bought back and cancelled at the original subscription price. The shares were cancelled December 13, 2019. The shares were replaced by invoices for services provided from October 1, 2018 to October 31, 2019 with the costs recognized as "Listing expenses". The advisory fees related to these invoices were recorded in the periods the services were provided.

#### **RISK FACTORS AND UNCERTAINTIES**

The Company is in the business of electronic payment processing under contract. Due to the nature of the Company's business and the present stage of its activities, many risk factors will apply. The risks

described below are not the only ones facing the Company. Additional risks not presently known to the Company may also impair the business operations.

### **No Market for the Ordinary Shares**

There is no market through which the Ordinary Shares may be sold and there are no assurances that any market will develop in the future. This means that there is no central place, such as a stock exchange or stock quotation system, to resell the Ordinary Shares. This means that even if you locate a buyer and negotiate your own sale, you may still not be allowed to resell the Ordinary Shares or to pledge the Ordinary Shares as collateral for a loan. Accordingly, an investment in the Ordinary Shares should only be considered by investors who are able to bear the economic risk of a long-term investment and do not require liquidity.

## **RISK FACTORS AND UNCERTAINTIES (continued)**

### **Risk of No Return on Investment**

There is no assurance that the business of the Company will continue to be operated successfully, or that the business will continue to generate sufficient or any income to meet its obligations. There is no assurance that an investment in the Ordinary Shares will earn a specified rate of return or any return over the life of the Company.

### **Dilution to the Company's Existing Shareholders**

The Company will require additional equity financing to be raised in the future. The Company may issue securities at less than favorable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into Ordinary Shares would result in dilution, possibly substantial, to present and prospective holders of Ordinary Shares.

### **Uncertainty of Additional Financing**

There are no assurances that the Company's future working capital will be adequate to execute its business plan or objectives as contemplated herein. The Company does not have any commitments to obtain additional financing and if required in future, there is no assurance that the Company will be able to arrange for such financing, or that such financing will be available on commercially reasonable terms. The failure to obtain such financing on a timely basis could have a material adverse effect on the Company. Equity financing and the additional issuance of equity securities will result in the substantial dilution to the Company's shareholders.

### **General Economic Conditions**

The recent events in global financial markets have had a profound impact on the global economy. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability. These factors could have a material adverse effect on the Company's financial condition and results of operations.

### **Share Price Volatility**

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of our Company. 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.

### **Uncertainty of Use of Proceeds**

Although the Company has set out its intended use of available funds in this Prospectus, the uses and figures provided are estimates only and are subject to change. While management does not contemplate any material variation from such estimates, management retains broad discretion in the application of such proceeds. See "Use of Proceeds".

### **Reliance on the Directors and Officers and Other Key Personnel**

The Company has a small management team and the unexpected loss of any of these individuals would have a serious impact on the business. Specifically, the Company is dependent upon the skills of the management team listed in items "*Directors and Executive Officers*" for the successful operation of its business. At present, there is no key-man insurance in place for any members of the management team. The loss of services of any of these **RISK FACTORS AND UNCERTAINTIES (continued)**

### **RISK FACTORS AND UNCERTAINTIES (continued)**

personnel to develop the business and make appropriate decisions in respect of the management thereof could have a material adverse effect on the business of the Company. The Company also relies on consultants to carry out its business objectives and the unexpected loss of any of these consultants could have a serious impact on the business.

### **Conflicts of Interest**

The directors and officers of the Company are not in any way limited or affected in their ability to carry on other transactions or business ventures for their own account or for the account of others, and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Company. Investment in the Company will not carry with it the right for either the Company or any subscriber to invest in any other property or venture of the directors and officers of the Company, or to any profit therefrom or to any interest therein. The directors and officers have a responsibility to identify and acquire suitable acquisition targets on behalf of the Company. To the extent that an opportunity arises to enter into such an agreement, the directors of the Company have the discretion to determine whether the Company will avail itself of the investment opportunity and, if it does not, any of the directors and officers of the Company shall be able to decide amongst themselves whether to pursue the opportunity for their respective accounts. If the investment opportunity did not arise solely from their activities on behalf of the Company, the directors and officers of the Company have no obligation to offer an investment opportunity to the Company. Future conflicts of interest will be dealt with in accordance with applicable laws, statutes and regulations.

### **Employee Recruitment Risk**

The successful operation of SQID also relies on SQID's ability to attract and retain a small team of experienced employees with specialist skills, including relationship managers, qualified software developers, key programming staff, sales staff, operational staff and the management team. These persons possess intimate knowledge of the SQID technology through extensive experience applying the technology.

Although the SQID technology has been documented, the loss of these key personnel may adversely affect the Company's prospects of pursuing its development programs within timeframes expected in the industry. If the business expands and grows, failure to appropriately recruit and retain employees may adversely affect SQID's ability to develop and implement its business strategies.

### **Relationship with Westpac and Merchant Warrior**

The agreements with Westpac and Merchant Warrior are essential to the Company's operations and without them the Company cannot operate. The Company's payment processes services require banks such as Westpac and Merchant Warrior, which is a registered member of a card network such as Visa or MasterCard ("Network"). The Acquiring Bank accepts transactions on behalf of Network for a merchant. Westpac can unilaterally amend its Westpac Agreement with the Company and cancel the Westpac Agreement for no reason on 30 days' notice. Merchant Warrior can amend its agreement for specified reasons. If both agreements were cancelled the Company would cease operations after 30 day unless it found a replacement bank registered to the card network. Refer to "*Description of the Business*" for full details.

### **Relationships with Key Third Party Suppliers and Service Providers**

SQID's business is dependent upon maintaining successful relationships with a limited number of key third-party suppliers and service providers, who provide a number of services that are key to SQID's service offering, including hosting, certain software applications, data providers and the provision of insurance. Contracts with these suppliers and service providers are typically terminable without cause, in some cases on short notice.

Any loss of a key third-party supplier or service provider, a material limitation of the services provided, a deterioration in the level of service provided, or a material alteration of the terms on which they are provided, **RISK FACTORS AND UNCERTAINTIES (continued)**

### **RISK FACTORS AND UNCERTAINTIES (continued)**

could result in a disruption to its business and may negatively impact SQID's ability to win and retain contracts, each of which could materially adversely affect SQID's business, operating and financial performance.

Where SQID relies on third party systems, SQID always seek to have service level agreements with minimum performance criteria set. Payment to the service providers is dependent on their continuity of their services. SQID will actively seek alternative supply channels to mitigate the impact should there occur a "no fault" termination of a supply agreement. There is no assurance that SQID can always maintain or replace its third-party systems in a timely manner and prevent loss of service.

### **Loss of Customer Contracts**

The Company's contracts, including with key customers, may generally be terminated without cause by a customer, in some cases on short notice. SQID could lose key customers or material contracts, due to a range of events including, because of failure to renew a contract, a loss of a tender, a deterioration in customer service levels or relationships, or disputes with customers. Any of these factors could materially adversely affect SQID's business, operating and financial performance.

SQID, like all service providers, must deliver services that continue to meet the needs of its customers. SQID is dependent on retaining in-house software development capability to ensure its business continues to evolve and service the needs of its customers. There is no assurance that it will be successful in recruiting and keeping the personnel required for delivery of its services.

### **Profit Margins**

Margins vary considerably across the range of products and services that SQID provides and a change in the mix of products and services that SQID sells to its customers could have a material adverse impact on SQID's financial performance.

### **Operational Risks**

The Company will be affected by several operational risks against which it may not be adequately insured or for which insurance is not available, including: catastrophic accidents; fires; changes in the regulatory environment; impact of non-compliance with laws and regulations; labour disputes; natural phenomena such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's premises, personal injury or death, environmental damage, resulting in adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and future cash flows, earnings and financial condition. The Company may also be subject to or affected by liability or sustain loss risks and hazards against which it cannot insure or which it may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### **Technology Risk**

The Company's products and services are dependent upon advanced technologies, which are susceptible to rapid technological change. There can be no assurance that the Company's products and services will not be seriously affected by, or become obsolete because of, such technological changes. There can be no assurance that the Company can respond in a timely manner so that its response will be adequate to successfully overcome the technological change.

### **Unforeseen Competition**

There can be no assurance that significant competition will not enter the market and offer any number of similar services to those provided by the Company. Such competition could have a significant adverse effect on the growth potential of the Company's business by effectively dividing the existing market for such products and services.

### **Disruption of Technology Platforms**

SQID's ability to provide reliable services, effective payment and transaction processing and accurate and timely reporting for its customers is a key aspect of its business. This depends on the efficient and uninterrupted operation of its core technologies, which include specialised and proprietary software systems, IT infrastructure and back-end data processing systems.

SQID's core technologies and other systems could be exposed to damage or interruption from systems failures, computer viruses, cyber-attacks or other events. Any systemic failure or sustained disruption to the effective operation of SQID's technology platform could severely damage SQID's reputation and its ability to generate new business or retain existing business, directly impair SQID's operations and customer service levels or necessitate increased expenditure on technology or generally across the business. Any of these outcomes could materially adversely affect SQID's business, operating and financial performance.

### **Data Security Risks**

The Company will utilize servers with significant amounts of data stored in via third party companies being AWS. Should the Company be responsible for the loss of any or all the data stored by it, the liability could materially undermine the financial stability of the Company. Also, much of the data stored will be confidential. The company does not store full card data. If the company's data is ever compromised, then customer card data will not be accessible to those in possession of the data. Anyone who can circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations.

## **Cybersecurity**

SQID is subject to Australian Privacy legislation which includes the requirement to advise an entity if their identity has been compromised. SQID is also required to comply with the Payment Card Industry (PCI) standard, which sees us adhere to very strict rules in the use of the software and hardware we implement in our hosting environment. All our data is hosted remotely by Amazon Web Services (AWS), which also complies with the PCI standard. The Company relies on AWS cybersecurity arrangements. The Payment Card Industry Data Security Standard (PCI DSS) is a set of security standards designed to ensure that all companies that accept, process, store or transmit credit card information maintain a secure environment. The AWS/SQID secure environment incorporates firewalls, routing rules, authorized access only and encryption.

## **Internet Fraud**

SQID has detailed merchant vetting / KYC procedures used to detect or mitigate fraud. Merchant accounts all have transaction limits, in line with the industry they are in, and all transactions are monitored and assigned a risk score. SQID also has transaction monitoring including the flagging of chargeback activity; SQID has the ability to withhold settlements pending an investigation into transactions. SQID also takes bonds from merchants as security in case the need to recover chargebacks arises. Bonds also act as a deterrent to fraudsters from even commencing the merchant onboarding process.

## **Money Laundering**

This is a significant for all businesses. SQID is governed by the Australian Anti-Money Laundering legislation and is required to operate in a PCI (Payment Card Industry) compliant manner when dealing with credit card information and payments.

## **RISK FACTORS AND UNCERTAINTIES (continued)**

### **Management of Growth**

The Company may experience a period of significant growth that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

### **Increases in Competition**

The payment processing industry is highly competitive and SQID may face increased competition from actions by existing competitors, the entry of new competitors, consolidation between existing competitors or from major customers bypassing payment processing and transactions switching companies and transacting directly with end customers.

SQID's competitive position may deteriorate because of these factors, or a failure by SQID to continue to position itself successfully to meet changing market conditions, customer demands and technology. Any material deterioration in SQID's competitive position could materially adversely affect SQID's business, operating and financial performance.

### **Damage to Reputation or Brand**



SQID's reputation and brand is important in winning and retaining contracts, maintaining its relationship with third-party suppliers and service providers and attracting employees. Reputational damage could arise due to a number of circumstances, including inadequate or deteriorating service levels, improper conduct, adverse media coverage or underperformance of customer-facing third-party suppliers and service providers. Reputational damage may potentially result in a failure to win new contracts and impinge on SQID's ability to maintain relationships with existing customers, suppliers and service providers and impede its ability to compete successfully in the payment transactions industry and to attract key employees. If any of these occur, this could materially adversely affect SQID's business, operating and financial performance.

The Company is proactive in dealing with these risks by regular reporting to customers about service levels, which allows the Company's representatives to be proactive in identifying and mitigating any service level deterioration. Regular systems maintenance is also important to ensure optimum services levels and minimum disruption to customers. There is no assurance that the Company's efforts to mitigate these risks will always be successful.

### **Exposure to Adverse Macroeconomic Conditions**

SQID is exposed to changes in general economic conditions in Australia and internationally and is affected by macroeconomic conditions such as tariffs and other trade barriers, economic recessions, downturns or extended periods of uncertainty or volatility, which may influence customer decisions in relation to whether to enter into transaction processing arrangements. These macroeconomic conditions may materially adversely affect SQID's business, operating and financial performance. Payment transactions are the core of most commercial activity. Unless there is a catastrophic event, payment processing will occur.

### **Protection of Intellectual Property**

SQID relies on laws relating to patents, trade secrets, copyright and trademarks to assist in protecting its proprietary customer-facing technology platform. There is a risk that unauthorized use and copying of SQID customer-facing technology platform will occur, or third parties will successfully challenge the validity, ownership or authorized use of intellectual property. This could involve significant expense and potentially the inability to use the intellectual property, which could materially adversely affect SQID's business, operating and financial performance. SQID does not currently have insurance for this possibility.

### **RISK FACTORS AND UNCERTAINTIES (continued)**

The Company is considering insurance (if available on economic terms) to fund possible future enforcement action against any potential infringer. There is no assurance that the Company's efforts to prevent unauthorized use or copying of its technology will always be successful.

### **Acquisition Risk and Associated Risk of Dilution**

SQID's possible expansion strategy includes pursuing acquisitions. The successful implementation of acquisitions will depend on a range of factors including acquisition costs, funding arrangements, business cultural compatibility and operational integration. To the extent acquisitions are not successfully integrated with SQID's existing business, the financial performance of SQID could be materially adversely affected. Future acquisitions may involve the issue of Ordinary Shares for consideration. In this event, Shareholders' interests will be diluted. Ordinary Shares may also be issued for other purposes such as debt reduction. Effective due diligence by the Company is ongoing to minimize the risk in integrating acquisition targets although this cannot be guaranteed.

### **Expansion of its Merchant Base and Industries Serviced**

There is no assurance that the Company's plans to expand its Merchant Base and to expand the industry sectors in which it currently operates.

### **Credit Card Prepayment Risk**

SQID Payments provides merchant services, under the Merchant *Westpac Agreement* with *Westpac* and under the *Merchant Warrior Agreement* with *Merchant Warrior*. SQID is at risk if merchants fail to deliver goods to their customers that were purchased using credit cards. SQID may be liable for charge backs from the card schemes or card issuing banks. Further if the number of charge backs in a given period is considered excessively high, SQID is at risk of incurring levy fines or even exclude SQID from participation in their networks.

SQID attempts to mitigate these risks by withholding the chargeback value from settlements to merchants and holds direct debit authority with merchants to recover unfunded charge backs. SQID may request security deposits from merchants at risk of prepayment default. SQID is also seeking insurance if this is available at economic rates.

### **Insurance Risk**

SQID's only insurance is mandatory worker's compensation insurance. SQID does not currently hold insurances against the identified risks of its operations. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of SQID. There are uninsurable risks such as cardholder fraud, merchant fraud, merchant business failure and adverse regulatory changes.

### **Exchange Rate Risk**

SQID currently operates in Australia. The Company is not exposed to significant currency risk on fluctuations considering that its assets and liabilities are stated in Australian dollar.

### **Unforeseen Expenses**

All expenses that SQID is aware of are taken into account. There is a risk that unforeseen expenses may develop which could materially negatively affect the business operations.

### **Permits and Government Regulations**

There are no permits or government regulations in Australia that affect the Company's operations beyond business license requirement and employment standards.

## **RISK FACTORS AND UNCERTAINTIES (continued)**

### **Environmental and Safety Regulations and Risks, Climate Change**

There are currently no environmental laws and regulations affect the operations of the Company. None are anticipated as the Company's does not have physical operations other than business offices. SQID, like all other businesses and persons in the world is exposed to the effects of climate change. The direct effects on SQID's business is not foreseeable at this time.

## Schedule “B” Remuneration Policy

### 1. Committee members

---

The Board has established the Remuneration Committee, the initial members of which are:

John O'Connor, Michael Clarke and Andrew Sterling

### 2. Purpose

---

The Remuneration Committee Charter (**Charter**) sets out the role, responsibilities, composition, authority and membership requirements of the Remuneration Committee (**Committee**).

### 3. Definition and objectives of Committee

---

3.1 The Committee is a committee of the Board which will ideally be comprised of:

- (a) a minimum of three members;
- (b) only non-executive Directors (if the Company has three or more non-executive Directors, otherwise the Board may appoint executive Directors to the Committee);
- (c) a majority of Independent Directors; and
- (d) an Independent Director as the chairperson.

If the Committee includes an executive Director, the executive Director should not be involved in deciding his or her own remuneration and should be cognisant of any potential conflict of interest if he or she is involved in setting remuneration for other executives that may indirectly affect his or her own remuneration.

3.2 In developing the structure for executive remuneration, consider matters including that:

- (a) Management should be remunerated by an appropriate balance of fixed remuneration and performance based remuneration;
- (b) levels of fixed remuneration should be reasonable and fair, relative to the scale of the Company's business, and should reflect core performance requirements and expectations;
- (c) any performance based remuneration should be clearly linked to specific performance targets which are aligned to the Company's short and long term performance objectives. Such targets should be appropriate to the Company's circumstances, goals and risk appetite;
- (d) equity based remuneration may include, among other things, options or performance rights. Such remuneration should include appropriate hurdles that are aligned to the Company's longer term performance objectives and should be structured in a manner so as to ensure they do not lead to a short term focus or the taking of undue risks; and
- (e) any termination payments for Management should be agreed in advance and should not be applied in the case of removal for misconduct. Consideration will be given as to whether shareholder approval will be required for any termination payments.

3.3 The Committee is responsible for reviewing the remuneration policies and practices of the Company and making recommendations to the Board in relation to:

(a) Management remuneration and incentive plans including, but not limited to:

- (1) pension and superannuation rights and compensation payments and any amendments to that policy proposed from time to time by Management;
- (2) reviewing the on-going appropriateness and relevance of the Management remuneration policy and other Management benefit programs;
- (3) considering whether to seek shareholder approval of the Management remuneration policy;
- (4) overseeing the implementation of the remuneration policy; and
- (5) reviewing and approving the total proposed payments from each member of Management,

and in respect of such Management remuneration, reviewing the competitiveness of the Company's Management compensation programmes to ensure:

- (6) the programmes are attractive, with a view to ensuring the retention of the Company's Management;
- (7) the motivation of the Company's Management to achieve the Company's business objectives; and
- (8) the alignment of the interests of key leadership with the long term interests of the Company's shareholders;

(b) remuneration packages for Management including, but not limited to:

- (1) considering and making recommendations to the Board on the entire specific remuneration for each individual of Management (including fixed remuneration, performance based remuneration, equity based remuneration, termination benefits, retirement rights, service contracts and superannuation), having regard to the Management remuneration policy; and
- (2) considering whether shareholder approval will be required;

(a) non-executive Director remuneration including, but not limited to:

- (1) the Company's remuneration framework for non-executive Directors, including the process by which any pool of non-executive Directors' fees approved by shareholders are allocated to non-executive Directors;
- (2) in developing the structure, considering matters including that:
  - (A) non-executive Directors should normally be remunerated by way of fees (in the form of cash, non-cash benefits or superannuation contributions);
  - (B) levels of fixed remuneration for non-executive directors should reflect the time commitment and responsibilities of the role;
  - (C) non-executive Directors should not receive performance based remuneration;

- (D) non-executive Directors may receive Securities as part of their remuneration, however, they should not receive options with performance hurdles attached or performance rights as part of their remuneration; and
- (E) non-executive directors should not be provided with retirement benefits (other than statutory superannuation); and
- (3) ensuring that the fees for non-executive members of the Board are within the aggregate amount approved by shareholders;
- (d) the Company's recruitment, retention and termination policies and procedures for senior management;
- (e) incentive plans (equity and cash based) including, but not limited to:
  - (1) reviewing and approving the design of all equity based plans;
  - (2) keeping all plans under review in light of legislative, regulatory and market developments;
  - (3) for each equity-based plan, determining each year whether awards will be made under that plan;
  - (4) ensuring that the equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders;
  - (5) reviewing and approving total proposed awards under each plan;
  - (6) in addition to considering awards to executive Directors and direct reports to the Managing Director, reviewing and approving proposed awards under each plan on an individual basis for executives as required under the rules governing each plan or as determined by the Committee; and
  - (7) reviewing, approving and keeping under review performance hurdles for each equity-based plan;
- (f) superannuation arrangements;
- (g) remuneration of members of other Committees of the Board; and
- (h) whether there is any gender or other inappropriate bias in remuneration for Directors, Management or other employees of the Company.

#### **4. Remuneration policies**

---

- 4.1 The Committee should design the remuneration policy in such a way that it:
  - (a) motivates Directors and Management to pursue the long-term growth and success of the Company within an appropriate control framework; and
  - (b) demonstrates a clear relationship between key executive performance and remuneration.
- 4.2 In performing its role, the Committee is required to ensure that:
  - (a) the remuneration offered is in accordance with prevailing market conditions, and that exceptional circumstances are taken into consideration;

- (b) contract provisions reflect market practice; and
- (c) targets and incentives are based on realistic performance criteria.

4.3 The Committee will also:

- (a) overview the application of sound remuneration and employment practices across the Company; and
- (b) ensure the Company complies with legislative requirements related to employment practices.

## 5. Approval

---

The Committee must approve the following prior to implementation:

- 5.1 changes to the remuneration or contract terms of Executive Directors and Management;
- 5.2 the design of new, or amendments to current, equity plans or Management cash-based incentive plans;
- 5.3 the total level of compensation proposed from equity plans or executive cash-based incentive plans; and
- 5.4 termination payments to executive Directors or Management, including consideration of early termination, except for removal for misconduct.

## 6. Reporting

---

- 6.1 Proceedings of all meetings of the Committee are to be minuted and signed by the Chairperson.
- 6.2 The Committee, through the chairperson of the Committee (**Committee Chairperson**), is to report to the Board at the earliest possible Board meeting after the Committee meeting regarding the determinations and conclusions of the Committee at its meetings. Minutes of all Committee meetings (and circular resolutions of the Committee) are to be circulated to the Board. The report should include but is not limited to:
  - (a) the minutes of the Committee and any formal resolutions;
  - (b) information about the review process undertaken by the Committee;
  - (c) an assessment of:
    - (1) Management remuneration and incentive plans;
    - (2) remuneration packages for Management;
    - (3) non-executive Director remuneration;
    - (4) the Company's recruitment and retention and termination policies and procedures for Management;
    - (5) incentive plans (equity and cash based);
    - (6) superannuation arrangements; and

- (7) remuneration of members of other Committees of the Board;
  - (d) recommendations for setting remuneration levels for Directors, Management and Committees;
  - (e) any matter that in the opinion of the Committee should be brought to the attention of the Board and any recommendation requiring Board approval or action;
  - (f) at least annually, a review of the formal written Charter and its continuing adequacy, and an evaluation of the extent to which the Committee has met the requirements of the Charter; and
  - (g) providing details of the Company's policies and practices for the deferral of performance based remuneration and the reduction, cancellation or claw back of performance based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.
- 6.3 In addition, the Committee Chairperson must submit an annual report to the Board (at the Board meeting at which the year end financial statements are approved) summarising the Committee's activities during the year including:
- (a) a summary of the Committee's main authority, responsibilities and duties;
  - (b) biographical details of the Committee's members, including expertise, appointment, dates and terms of appointment;
  - (c) details of meetings, including the number of meetings held during the relevant period and the number of meetings attended by each member; and
  - (d) details of any change to the independent status of each member during the relevant period, if applicable.

## **7. Meetings**

---

- 7.1 There is no requirement that the Committee meet a set number of times or intervals during a year. Rather, the Committee will meet at such intervals as required to fulfil its obligations.
- 7.2 In addition, the Committee Chairperson is required to call a meeting of the Committee if requested to do so by any Committee member, the internal or external auditors, the Chairperson of the Board or any other Board member.
- 7.3 The Committee may also seek input from individuals on remuneration policies but no individual should be directly involved in deciding his or her own remuneration.

## **8. Attendance at meetings**

---

- 8.1 Other Directors (executive and non-executive) have a right of attendance at meetings. However, no Director is entitled to attend that part of a meeting at which the remuneration of that Director or a related party of that Director is being discussed.

## **9. Access**

---

- 9.1 The Committee will have access to employees of the Company and appropriate external advisers. The Committee may meet with these external advisers without Management being present. The Committee will also have the ability and authority to seek any information it

requires to carry out its duties from any officer or employee of the Company and such officers or employees will be instructed by the Board to co-operate fully in provision of such information. The Committee will have the ability to interview Management where considered necessary or appropriate.

- 8.2 The Committee also has the authority to consult independent experts where they consider it necessary to carry out their duties. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the Company.

## **10. General Matters**

---

- 10.1 Committee members are appointed by the Board.
- 10.2 The term of appointment as a member is for a period of no more than one year, with Committee members generally being eligible for re-appointment for so long as they remain Directors. The effect of ceasing to be a Director is the automatic termination of that individual's appointment as a member of each Committee.
- 10.3 Membership of each Committee should be confirmed annually by the Board at the Board's first meeting following its annual shareholder meeting.
- 10.4 The Committee Chairperson is selected by the Board.
- 10.5 Should the Committee Chairperson be absent from a meeting and no acting chairperson has been appointed, the members of the relevant Committee present at the meeting have authority to choose one of their number to be Committee Chairperson for that particular meeting.
- 10.6 The Committee Chairperson will appoint an executive or the Company Secretary to act as secretary to that Committee who will be responsible:
- (a) in conjunction with the chairperson, for drawing up the agenda, supported by explanatory documentation, and circulating it to the relevant Committee members prior to each meeting; and
  - (b) for keeping the minutes of each meeting of that Committee and circulating them to Committee members and to the other members of the Board.
- 10.7 A quorum will consist of two members.
- 10.8 Meetings may be held in any location and may be held by means of teleconference or videoconference.
- 10.9 A member of each Committee is entitled to receive remuneration as determined from time to time by the Remuneration Committee.
- 10.10 The Charter is to be reviewed annually by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.
- 10.11 Significant changes to the Charter must be recommended by the Committee and approved by the Board.
- 10.12 The duties and responsibilities of a member of the Committee are in addition to those duties set out for a Director of the Board.
- 10.13 To the extent of any inconsistency between this Charter and any applicable laws that apply to the Company, such applicable laws shall prevail.



## **Schedule “C” Audit Committee Charter**

### **Mandate and Purpose of the Committee**

The Audit Committee (the “**Committee**”) of the board of directors (the “**Board**”) of SQID Technologies Limited (the “**Company**”) is a standing committee of the Board whose primary function is to assist the Board in fulfilling its oversight responsibilities relating to:

- the integrity of the Company’s financial statements;
- the Company’s compliance with legal and regulatory requirements, as they relate to the Company’s financial statements;
- the qualifications, independence and performance of the Company’s auditor;
- internal controls and disclosure controls;
- the performance of the Company’s internal audit function; and
- performing the additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

### **Authority**

The Committee has the authority to:

- engage and compensate independent counsel and other advisors as it determines necessary or advisable to carry out its duties; and
- communicate directly with the Company’s auditor.

The Committee has the authority to delegate to individual members or subcommittees of the Committee.

### **Composition and Expertise**

The Committee shall be composed of a minimum of three members, each whom is a director of the Company. The Committee shall be comprised of members, a majority of whom are not officers, employees or control persons (as such term is defined in the policies of the Canadian Securities Exchange and any other publicly listed exchange on which the Ordinary Shares of the Company are listed) of the Company.

Committee members shall be appointed annually by the Board at the first meeting of the Board following each annual meeting of shareholders. Committee members hold office until the next annual meeting of shareholders or until they are removed by the Board or cease to be directors of the Company.

The Board shall appoint one member of the Committee to act as Chair of the Committee. If the Chair of the Committee is absent from any meeting, the Committee shall select one of the other members of the Committee to preside at that meeting.

### **Meetings**

Any member of the Committee or the auditor may call a meeting of the Committee. The Committee shall meet at least once per year and as many additional times as the Committee deems necessary to carry out its duties. The Chair shall develop and set the Committee’s agenda, in consultation with other members of the Committee, the Board and senior management.

Notice of the time and place of every meeting shall be given in writing to each member of the Committee, at least 72 hours (excluding holidays) prior to the time fixed for such meeting. The Company’s auditor shall be given notice of every meeting of the Committee and, at the expense of the Company, shall be entitled to attend and be heard thereat. If requested by a member of the Committee, the Company’s auditor shall attend every meeting of the Committee held during the term of office of the Company’s auditor.

A majority of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communications facility that permits all persons participating in the meeting to communicate adequately with each other during the meeting.

The Committee may invite such directors, officers and employees of the Company and advisors as it sees fit from time to time to attend meetings of the Committee.

The Committee shall meet without management present whenever the Committee deems it appropriate. The Committee shall appoint a Secretary who need not be a director or officer of the Company. Minutes of the meetings of the Committee shall be recorded and maintained by the Secretary and shall be subsequently presented to the Committee for review and approval.

#### **Committee and Charter Review**

The Committee shall conduct an annual review and assessment of its performance, effectiveness and contribution, including a review of its compliance with this Charter. The Committee shall conduct such review and assessment in such manner as it deems appropriate and report the results thereof to the Board.

The Committee shall also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee, as well as any guidelines recommended by regulators or the CSE and shall recommend changes to the Board thereon.

#### **Reporting to the Board**

The Committee shall report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held.

#### **Duties and Responsibilities**

##### **Financial Reporting**

The Committee is responsible for reviewing and recommending approval to the Board of the Company's annual and interim financial statements, MD&A and related news releases, before they are released.

The Committee is also responsible for:

- (a) being satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in the preceding paragraph, and for periodically assessing the adequacy of those procedures;
- (b) if deemed appropriate by the Committee, engaging the Company's auditor to perform a review of the interim financial statements and receiving from the Company's auditor a formal report on the auditor's review of such interim financial statements;
- (c) discussing with management and the Company's auditor the quality of applicable accounting principles and financial reporting standards, not just the acceptability thereof;
- (d) discussing with management any significant variances between comparative reporting periods; and
- (e) in the course of discussion with management and the Company's auditor, identifying problems or areas of concern and ensuring such matters are satisfactorily resolved.

##### **Auditor**

The Committee is responsible for recommending to the Board:

- (a) the auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
- (b) the compensation of the Company's auditor.

The Company's auditor reports directly to the Committee. The Committee is directly responsible for overseeing the work of the Company's auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the Company's auditor regarding financial reporting.

##### **Relationship with the Auditor**

The Committee is responsible for reviewing the proposed audit plan and proposed audit fees. The Committee is also responsible for:

- (a) establishing effective communication processes with management and the Company's auditor so that it can objectively monitor the quality and effectiveness of the auditor's relationship with management and the Committee;
- (b) receiving and reviewing regular feedback from the auditor on the progress against the approved audit plan, important findings, recommendations for improvements and the auditor's final report;

- (c) reviewing, at least annually, a report from the auditor on all relationships and engagements for non-audit services that may be reasonably thought to bear on the independence of the auditor; and
- (d) meeting in camera with the auditor whenever the Committee deems it appropriate.

### **Accounting Policies**

The Committee is responsible for:

- (a) reviewing the Company's accounting policy note to ensure completeness and acceptability with applicable accounting principles and financial reporting standards as part of the approval of the financial statements;
- (b) discussing and reviewing the impact of proposed changes in accounting standards or securities policies or regulations;
- (c) reviewing with management and the auditor any proposed changes in major accounting policies and key estimates and judgments that may be material to financial reporting;
- (d) discussing with management and the auditor the acceptability, degree of aggressiveness/conservatism and quality of underlying accounting policies and key estimates and judgments; and
- (e) discussing with management and the auditor the clarity and completeness of the Company's financial disclosures.

### **Risk and Uncertainty**

The Committee is responsible for reviewing, as part of its approval of the financial statements:

- (a) uncertainty notes and disclosures; and
- (b) MD&A disclosures.

The Committee, in consultation with management, will identify the principal business risks and decide on the Company's "appetite" for risk. The Committee is responsible for reviewing related risk management policies and recommending such policies for approval by the Board and, once approved by the Board, overseeing the implementation and ongoing monitoring of such policies.

The Committee is responsible for requesting the auditor's opinion of management's assessment of significant risks facing the Company and how effectively they are managed or controlled.

### **Controls and Control Deviations**

The Committee is responsible for reviewing:

- (a) the plan and scope of the annual audit with respect to planned reliance and testing of controls; and
- (b) major points contained in the auditor's management letter resulting from control evaluation and testing.

The Committee is also responsible for receiving reports from management when significant control deviations occur.

### **Compliance with Laws and Regulations**

The Committee is responsible for reviewing regular reports from management and others (e.g. auditors) concerning the Company's compliance with financial related laws and regulations, such as: tax and financial reporting laws and regulations; legal withholdings requirements; environmental protection laws; and other matters for which directors face liability exposure.

### **Non-Audit Services**

All non-audit services to be provided to the Company or its subsidiary entities by the Company's auditor must be pre-approved by the Committee.

#### **Submission Systems and Treatment of Complaints**

The Committee is responsible for establishing procedures for:

- (b) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- (c) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee is responsible for reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former auditor of the Company

## **Schedule D Corporate Governance Policy**

### **Corporate Governance**

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices*, the Company is required to and hereby disclose its corporate governance practices as follows.

The mandate of the Board is to supervise the management of the Company and to act in the best interests of the Company. The Board acts in accordance with:

- (a) the Corporation Act, 2001;
- (b) the Company's Constitution; and
- (c) other applicable laws and Company policies.

### **Board of Directors**

The Board of Directors of the Company facilitates its exercise of independent supervision over the Company's management through frequent meetings of the Board.

The Board approves all significant decisions that affect the Company before they are implemented. The Board supervises their implementation and reviews the results. The Board is actively involved in the Company's strategic planning process. The Board discusses and reviews all materials relating to the strategic plan with management.

The Board is responsible for reviewing and approving the strategic plan. At least one Board meeting each year is devoted to discussing and considering the strategic plan, which takes into account the risks and opportunities of the business. Management must seek the Board's approval for any transaction that would have a significant impact on the strategic plan. The Board periodically reviews the Company's business and implementation of appropriate systems to manage any associated risks, communications with investors and the financial community and the integrity of the Company's internal control and management information systems. The Board also monitors the Company's compliance with its timely disclosure obligations and reviews material disclosure documents prior to distribution.

The Board periodically discusses the systems of internal control with the Company's external auditor. The Board is responsible for choosing the Chief Executive Officer and appointing senior management and for monitoring their performance and developing descriptions of the positions for the Board, including the limits on management's responsibilities and the corporate objectives to be met by the management.

The Board approves all the Company's major communications, including annual and quarterly reports, financing documents and press releases. The Board approves the Company's communication policy that covers the accurate and timely communication of all important information. It is reviewed annually. This policy includes procedures for communicating with analysts by conference calls.

The Board, through its Audit Committee, examines the effectiveness of the Company's internal control processes and management information systems. The Board consults with the internal auditor and management of the Company to ensure the integrity of these systems. The internal auditor submits a report to the Audit Committee each year on the quality of the Company's internal control processes and management information systems.

The Board is responsible for determining whether or not each director is an independent director. Directors who also act as officers of the Company are not considered independent. Directors who do not also act as officers of the Company, do not work in the day-to-day operations of the Company, are not party to any material contracts with the Company, or receive any fees from the Company except as disclosed in this Prospectus.

The Company's Board consists of four directors, two of whom are independent based upon the tests for independence set forth in NI 52-110. John O'Connor and Andrew Sterling are independent. Peter Hall is not independent as he is the Company's Chief Executive Officer. Michael Clarke is not independent as he is a director of First Growth Funds Limited, a promoter of the Company.

## **Orientation and Continuing Education**

Each new director of the Company is briefed about the nature of the Company's business, its corporate strategy and current issues within the Company. New directors will be encouraged to review the Company's public disclosure records as filed on SEDAR at [www.sedar.com](http://www.sedar.com) after the Company becomes a Reporting Company. Directors are also provided with access to management to better understand the operations of the Company, and to the Company's legal counsel to discuss their legal obligations as directors of the Company.

## **Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under the corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction. The director must then abstain from voting on the contract or transaction unless the contract or transaction (i) relates primarily to their remuneration as a director, officer, employee or agent of the Company or an affiliate of the Company, (ii) is for indemnity or insurance for the benefit of the director in connection with the Company, or (iii) is with an affiliate of the Company. If the director abstains from voting after disclosure of their interest, the directors approve the contract or transaction and the contract or transaction was reasonable and fair to the Company at the time it was entered into, the contract or transaction is not invalid and the director is not accountable to the Company for any profit realized from the contract or transaction. Otherwise, the director must have acted honestly and in good faith, the contract or transaction must have been reasonable and fair to the Company and the contract or transaction be approved by the shareholders by a special resolution after receiving full disclosure of its terms in order for the director to avoid such liability or the contract or transaction being invalid.

## **Nomination of Directors**

The Board of Directors is responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of the shareholders. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, shown support for the Company's mission and strategic objectives, and a willingness to serve.

## **Compensation**

The Board has adopted a Remuneration Committee Charter pursuant to which three directors have been appointed to the Remuneration Committee: John O'Connor, Andrew Sterling and Michael Clarke. The Remuneration Committee Charter sets out the standards and terms for the compensation of the Company's Chief Executive Officer and Chief Financial Officer with reference to industry standards and the financial situation of the Company.

10<sup>th</sup> March 2020

Company Secretary  
SQID Technologies Limited  
63 Westgate Street,  
Wacol Qld 4076

Dear Sir/Madam

**Nomination of Auditor**

For the purposes of Section 328B(1) of the *Corporations Act 2001* (Cth), I, Andrew Sterling being a shareholder of SQID Technologies Limited (**Company**) hereby nominate the firm, Pitcher Partners, Chartered Accountants to be appointed as the auditor of the Company at the Annual General Meeting to be held on 24 April 2020.

Please distribute copies of this Notice as required by Section 328B(3) of the *Corporations Act 2001* (Cth).

Please do not hesitate to contact me should you require any additional information or clarification,

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Sterling', is written over a light blue rectangular background.

Andrew Sterling