

**SQID TECHNOLOGIES LIMITED
AND ITS CONTROLLED ENTITIES**

ABN: 44 121 655 472

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS ENDED
JUNE 30 2020**

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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 six-months ended June 30 2020.

Directors

The names of directors in office at any time during the six-month period are:

Athan Lekkas appointed February 20 2020

Andrew Sterling

John O'Connor

Michael Clarke

Peter Hall resigned February 21 2020

The directors have been in office since the start of the six-month period and up to the date of this report unless otherwise stated.

Review of operations

A review of the operations of the group during the six-month period and the results of those operations are as follows:

- The group's operations:
 - Processing credit card transactions for e-commerce 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; and
 - 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; and
 - 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; and
 - There has been no modification by the group's auditor in the audit report.
- The group's holding company SQID Technologies Limited, listed on the Canadian Stock Exchange on January 21 2020.
- On January 21 2020, Westpac Banking Corporation, ("Westpac") that it has made a commercial decision to no longer provide its merchant services.
- John O'Connor has a six-month consulting contract to the board spanning February – July 2020 for \$60,000, to provide advisory services around KPIs, revenue targets, financial analysis, technology and staffing.
- On April 23, 2020, the company announced that it signed an agreement with a new payment channel partner, being First Data Merchant Solutions Australia Pty Ltd which is part of the ("Fiserv") global operations ("Fiserv"). None of the Fiserv global entities are related parties. This announcement follows on from the Company's announcement on January 21 2020, that Westpac had made a commercial decision to no longer provide its merchant services. There is no firm date for the transition at the date of this report.
- Athan Lekkas was appointed as CEO on March 23 2020.
- Mark Pryn was appointed as joint Company Secretary on April 8 2020.
- The group's revenue has been impacted by COVID-19 during April and May 2020 to a point above break-even but it is well placed to absorb any long-term effect. As at the date of this report, revenue has not deteriorated enough for the group to be eligible for the Australian Government's JobKeeper program, and the group has sufficient cash reserves to cover any prolonged period of lower revenue.

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

Review of operations (Cont'd)

- The group redeemed its investment in residential mortgage securities in light of the current economic environment.
- The group changed its registered office and principal place of business on April 3 2020 to Level 14, 440 Collins Street, Melbourne Victoria 3000 Australia.

Dividends paid, recommended and declared

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 370C of the *Corporations Act 2001* accompanies this report.

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



Athan Lekkas
Chairman

Melbourne
Date August 11 2020

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES
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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTHS ENDED JUNE 30 2020 AND 2019**

	Notes	6 months ended		3 months ended	
		Jun 30 2020	Jun 30 2019	Jun 30 2020	Jun 30 2019
		\$	\$	\$	\$
Revenue and other income					
Revenue from contracts with customers	3	3,937,779	3,012,920	1,868,600	1,538,380
Interest income		22,319	32,964	11,160	17,658
Other income		28,589	-	28,589	-
		3,988,687	3,045,884	1,908,349	1,556,038
Less: expenses					
Direct transaction costs		2,405,939	1,787,866	1,151,273	908,144
Employee benefits expense		280,855	109,613	159,957	54,807
Depreciation and amortisation	7, 8	32,162	28,250	13,100	18,352
Consultancy fees	11	286,681	195,429	136,441	96,548
Director fees	11	63,333	40,000	30,000	20,000
Professional fees		414,420	100,206	268,868	42,666
Listing expenses		11,765	90,179	-	33,093
IT and hosting costs		52,177	44,651	32,556	24,578
Loss on redemption of investments		39,690	-	-	-
Other expenses		85,082	13,253	86,241	7,500
		3,672,104	2,409,447	1,878,436	1,205,688
Profit before income tax expense		316,583	636,437	29,913	350,350
Income tax expense	4	79,200	175,020	7,483	96,346
Profit for the year		237,383	461,417	22,430	254,004
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		237,383	461,417	22,430	254,004
Basic earnings per share		0.030	0.066	0.000	0.031
Diluted earnings per share		0.030	0.066	0.000	0.031

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

SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30 2020 AND DECEMBER 31 2019

	Notes	Jun 30 2020 \$	Dec 31 2019 \$
Current assets			
Cash and cash equivalents	5	4,075,760	1,678,713
Receivables		110,499	186,741
Other financial assets	6	-	1,924,659
Prepayments		42,360	5,987
Security bonds		186,940	-
Total current assets		4,415,559	3,796,100
Non-current assets			
Property, Plant and equipment	7	544	1,099
Intangible assets	8	149,676	175,318
Security bonds		50,000	236,874
Deferred tax assets		504,625	583,825
Total non-current assets		704,845	997,116
Total assets		5,120,404	4,793,216
Current liabilities			
Payables	9	1,716,537	1,691,061
Employee provisions		61,231	42,558
Total current liabilities		1,777,768	1,733,619
Non-current liabilities			
Employee provisions		12,806	-
Total non-current liabilities		12,806	-
Total liabilities		1,790,574	1,733,619
Net assets		3,329,830	3,059,597
Equity			
Share capital	10	6,855,020	6,822,170
Accumulated losses		(3,525,190)	(3,762,573)
Total equity		3,329,830	3,059,597

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

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTHS ENDED 30 JUNE 2020 AND 2019

	Share capital \$	Accumulated losses \$	Total equity \$
Balance as at January 1 2019	6,544,627	(4,420,119)	2,117,111
Profit for the six-months ended December 31 2019	-	461,417	461,417
Balance as at June 30 2019	6,544,627	(3,958,702)	2,585,925
Balance as at January 1 2020	6,822,170	(3,762,573)	3,059,597
Share issue	32,850	-	32,850
Profit for the six-months ended June 30 2020	-	237,383	237,383
Balance as at June 30 2020	6,855,020	(3,525,190)	3,327,880

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

SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES
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CONSOLIDATED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTHS ENDED JUNE 30 2020 AND 2019

	Notes	Jun 30 2020	Jun 30 2019
		\$	\$
Cash flow from operating activities			
Receipts from customers		4,353,445	3,143,983
Payments to suppliers and employees		(3,897,411)	(4,107,058)
Interest received		22,319	32,964
Net cash provided by/(used in) operating activities		478,353	(930,111)
Cash flow from investing activities			
Payment for plant and equipment		(5,965)	(516)
Payment for investments		-	(31,800)
Redemption of investments		1,924,659	-
Net cash provided by/(used in) investing activities		1,918,694	(32,316)
Cash flow from financing activities			
Proceeds from share issues		-	15,341
Net cash provided by financing activities		-	15,341
Net increase/(decrease) in cash and cash equivalents		2,397,047	(947,086)
Cash and cash equivalents at beginning of the six-month period		1,678,713	2,609,158
Cash and cash equivalents at end of the six-month period	5	4,075,760	1,662,072

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE
SIX-MONTHS ENDED JUNE 30 2020 AND 2019**

NOTE 1: CORPORATE INFORMATION

The financial report covers SQID Technologies Ltd ("the company") and its controlled entities ("the 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 Level 14, 440 Collins Street, Melbourne VIC 3000. The group is a for-profit entity for the purpose of preparing the financial report.

The financial report was approved by the directors as at the date of the directors' report.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Compliance with IFRS

These condensed interim financial statements are prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and the *Corporations Act* 2001. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed interim financial statements should be read in conjunction with the group's financial statements for the six-months ended June 30 2020.

The accounting policies and methods of computation adopted in the preparation of these unaudited condensed interim financial statements are consistent with those adopted in the group's consolidated financial statements as at and for the six-months ended December 31 2019.

A number of new or amended standards became applicable during the current reporting period did not have a material impact on these condensed interim consolidated financial statements.

All amounts are presented in Australian dollars.

SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES
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	Six-months ended	
	Jun 30 2020	Jun 30 2019
	\$	\$

NOTE 3: REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognised at a point in time:

Transaction fees	3,829,244	2,917,440
Chargeback fees	108,535	95,480
	3,937,779	3,012,920

NOTE 4: INCOME TAX

(a) Components of tax expense

Deferred tax	79,200	175,020
	79,200	175,020

(b) Income tax reconciliation

The prima facie tax payable on profit before income tax at 27.5% (June 30 2019: 27.5%) is as follows:

Income tax expense attributable to profit	87,060	175,020
Less tax effect of		
- Non-taxable income	(7,860)	-
	79,200	175,020

	June 30 2020	Dec 31 2019
	\$	\$

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	4,075,760	1,678,713
	4,075,760	1,678,713

Cash at bank includes the following balances held on behalf of merchants (Refer Note 9)

Merchant floats	413,528	512,392
Merchant bonds	643,173	636,751
	1,056,701	1,149,143

NOTE 6: OTHER FINANCIAL ASSETS

Financial assets at amortised cost:

- Units in residential mortgage fund ⁽¹⁾	-	1,924,659
	-	1,924,659

⁽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. These investments were redeemed progressively redeemed in full during the six-months period.

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

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	Jun 30 2020	Dec 31 2019
	\$	\$
NOTE 7: PLANT AND EQUIPMENT		
<i>Plant & equipment</i>		
At cost	17,135	11,170
Accumulated depreciation	(16,591)	(10,071)
	544	1,099
 <i>Reconciliation</i>		
Carrying amount at beginning of the period	1,099	1,654
Additions	5,965	5,139
Depreciation expense	(6,520)	(5,694)
Carrying amount end of the period	544	1,099
 NOTE 8: INTANGIBLE ASSETS		
<i>Patents</i>		
At cost	153,393	153,393
Accumulated impairment loss	(98,332)	(94,427)
	55,061	58,866
 <i>Reconciliation</i>		
Carrying amount at beginning of period	58,866	62,671
Amortisation	(3,805)	(3,805)
Carrying amount at end of period	55,061	58,866
 <i>Capitalised software development</i>		
At cost	233,733	233,733
Accumulated impairment loss	(139,118)	(117,281)
	94,615	116,452
 <i>Reconciliation</i>		
Carrying amount at beginning of period	116,452	139,825
Amortisation	(21,837)	(23,373)
Carrying amount at end of period	94,615	116,452
 Total intangible assets	 149,676	 175,318

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

SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES

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Jun 30 2020 **Dec 31 2019**
\$ **\$**

NOTE 9: PAYABLES

Trade payables	154,959	86,539
Merchant floats	413,528	512,392
Merchant bonds	643,173	636,751
Accrued transaction processing fees	463,055	375,029
Other payables	41,822	80,350
	<u>1,716,537</u>	<u>1,691,061</u>

NOTE 10: SHARE CAPITAL

(a) Issued and paid up capital

Ordinary shares	<u>6,855,020</u>	<u>6,822,170</u>
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue

	Parent Equity		Parent Equity	
	Jun 30 2020		Dec 31 2019	
	No of Shares	\$	No of Shares	\$
Beginning of period	7,863,956	6,822,170	16,475,298	6,544,627
2:1 share consolidation ⁽¹⁾	-		- (8,237,622)	-
Share buyback ⁽²⁾	-		- (1,350,000)	(15,341)
Share issue ⁽³⁾	109,500	32,850	976,280	292,884
End of period	<u>7,973,456</u>	<u>6,855,020</u>	<u>7,863,956</u>	<u>6,822,170</u>

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

⁽¹⁾ On 5 September 2019, shareholders approved 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 reduced from 16,475,298 to 8,237,676.

⁽²⁾ On 13 December 2019, shareholders approved a resolution to buy-back and cancel 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 31 October and 1 November 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 replaced by invoices for services provided from 1 October 2018 to 31 October 2019 with the costs recognized as "Listing expenses".

⁽³⁾ Shares issued

- 13th December 2019. The invoices per (3) 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	45,455
Shape Capital Pty Ltd	<u>684,848</u>	<u>205,454</u>
Total	<u>976,280</u>	<u>292,884</u>

- On 13 February 2020, the company issued 54,750 shares at \$0.25 to Tripoint Global Equities LLC to settle an arms-length invoice of USD11,250 (AUD16,425) for three months of advisory services covering November 2019 to January 2020.
- On 8 May 2020, the company issued 54,750 shares at \$0.25 to Tripoint Global Equities LLC to settle an arms-length invoice of USD11,250 (AUD16,425) for three months of advisory services covering February to April 2020.

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

NOTE 10: SHARE CAPITAL (CONT'D)

(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 11: 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 six-month periods ended June 30 2020 and 2019. The following table provides the total amount of transactions with related parties for the six-month periods ended June 30 2020 and 2019 and outstanding payables as at June 30 2020 and December 31 2019:

Entity	Transaction	Amount (\$)		Payables (\$)	
		30 Jun 20	30 Jun 19	30 Jun 20	31 Dec 19
Sigris Design Pty Ltd ⁽¹⁾	Other expenses	7,500	11,400	-	2,750
Directors	Director fees	63,333	40,000	7,000	10,649
Senior Officers	Consultancy fees	286,681	195,429	71,356	44,330
Director – John O'Connor ⁽²⁾	Professional fees	67,500	-	14,667	-
Shape Capital Pty Ltd ⁽³⁾	Professional fees	30,000	-	11,000	-

- (1) Director Peter Hall (resigned February 21, 2020) has a beneficial interest in Sigris Design Pty Ltd, which rented out office space as well as being the registered office for the group. This arrangement ceased March 2020.
- (2) John O'Connor has a six-month consulting contract to the board spanning February – July 2020 for \$60,000, to provide professional and advisory services around KPIs, revenue targets, financial analysis, technology and staffing.
- (3) Shape Capital Pty Ltd has a six-month consulting contract to the board spanning May – October 2020 for \$60,000 to provide professional and advisory services. The CEO of Shape Capital Pty Ltd is Anoosh Manzoori, who is also CEO / Chair of SQID's largest shareholder, First Growth Funds Limited.

NOTE 12: SEGMENT REPORTING

For management purposes, the group is organised into one main operating segment, which involves the processing of credit card transactions for e-commerce merchants. All of the group's activities are inter-related and discrete financial information is reported to the Board as a single segment. Accordingly, all significant operating decisions are based upon analysis of the group as one segment.

The financial results from this segment are equivalent to the financial statement of the group as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these condensed interim consolidated financial statements.

NOTE 13: SUBSEQUENT EVENTS

There are no other matters or circumstances which have arisen since the end of the financial period which significantly affected or could affect the operation 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:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 6 to 14:
 - (a) comply with International Accounting Standards 34 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
 - (b) give a true and fair view of the financial position of the group as at June 30 2020 and of its performance for the six-months ended on that date.
2. 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 six-months ended June 30 2020.

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



Athan Lekkas
Director

Melbourne
Date August 11 2020