

**SQID TECHNOLOGIES LIMITED
AND ITS CONTROLLED ENTITIES**

ABN: 44 121 655 472

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30 2020**

**SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
SEPTEMBER 30 2020**

TABLE OF CONTENTS

	Page
Directors' Report	3
Financial Report for the nine-months ended September 30 2020	
Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Condensed Interim Consolidated Statement of Financial Position	7
Condensed Interim Consolidated Statement of Changes in Equity	8
Condensed Interim Consolidated Statement of Cash Flows	9
Notes to the Condensed Interim Consolidated Financial Statements	10
Directors' Declaration	15

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 nine months ended September 30 2020.

Directors

The names of directors in office at any time during the nine-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 nine-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 nine-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. The company has until March 21 2021 to migrate, and is well underway in transitioning.
- John O'Connor has a nine-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. From August 2020, this agreement has been extended on a month-by-month basis as required.
- 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.

Review of operations (Cont'd)

- The group's revenue was 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. Revenue has recovered to pre-COVID levels from June.
- 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.
- On August 14, the Company issued options as detailed below.
 - Agile Investor Relations Inc. 100,000 options with an exercise price of C\$0.80 per share with a 12-month term. The options are cancelled 30 days from Agreement termination and any shares issued on the exercise of the options will have a hold period of four months and one day.
 - Gale Capital Corporation. 100,000 options with an exercise price of C\$0.80 per share with a 12-month term. The options are cancelled 30 days from Agreement termination and any shares issued on the exercise of the options will have a hold period of four months and one day.
- On October 2nd, the company invested \$CAD380,000 for approximately 11% in Canadian company Vello Technologies Pty Ltd.

Dividends paid, recommended and declared

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

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



Athan Lekkas
Chairman

Melbourne
Date November 6 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
ABN: 44 121 655 472

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE NINE-MONTHS ENDED SEPTEMBER 30 2020 AND 2019**

	Notes	9 months ended		3 months ended	
		Sep 30 2020	Sep 30 2019	Sep 30 2020	Sep 30 2019
		\$	\$	\$	\$
Revenue and other income					
Revenue from contracts with customers	3	5,985,112	4,705,568	2,047,333	1,692,648
Interest income		22,343	59,577	24	26,613
Other income		61,382	-	32,793	-
		6,068,837	4,765,145	2,080,150	1,719,261
Less: expenses					
Direct transaction costs		3,618,834	2,792,850	1,212,895	1,004,984
Employee benefits expense		402,045	219,531	121,190	109,918
Depreciation and amortisation	7, 8	45,260	47,256	13,098	19,006
Consultancy fees	11	422,918	326,659	136,237	131,230
Director fees	11	93,333	64,301	30,000	24,301
Professional fees		682,856	140,299	268,436	40,093
Listing expenses		11,765	359,182	-	269,003
IT and hosting costs		72,185	64,116	20,008	19,465
Loss on redemption of investments		39,690	-	-	-
Other expenses		119,153	36,817	34,071	23,564
		5,508,039	4,051,011	1,835,936	1,641,564
Profit before income tax expense		560,798	714,134	244,215	77,697
Income tax expense	4	137,340	196,387	58,141	21,367
Profit for the year		423,458	517,747	186,074	56,330
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		423,458	517,747	186,071	56,330
Basic earnings per share		0.05	0.02	0.02	0.01
Diluted earnings per share		0.05	0.02	0.02	0.01

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30 2020 AND DECEMBER 31 2019

	Notes	Sep 30 2020 \$	Dec 31 2019 \$
Current assets			
Cash and cash equivalents	5	4,620,126	1,678,713
Receivables		236,005	186,741
Other financial assets - investment	6	-	1,924,659
Other financial assets – security bond		186,963	-
Prepayments		24,589	5,987
Total current assets		5,067,683	3,796,100
Non-current assets			
Property, Plant and equipment	7	266	1,099
Intangible assets	8	136,855	175,318
Security bond		50,000	236,874
Deferred tax assets		446,485	583,825
Total non-current assets		633,606	997,116
Total assets		5,701,289	4,793,216
Current liabilities			
Payables	9	2,098,681	1,691,061
Employee provisions		72,591	42,558
Total current liabilities		2,171,272	1,733,619
Non-current liabilities			
Employee provisions		14,112	-
Total non-current liabilities		14,112	-
Total liabilities		2,185,385	1,733,619
Net assets		3,515,905	3,059,597
Equity			
Share capital	10	6,855,020	6,822,170
Accumulated losses		(3,339,115)	(3,762,573)
Total equity		3,515,905	3,059,597

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

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

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

	Share capital \$	Accumulated losses \$	Total equity \$
Balance as at January 1 2019	6,529,286	(4,420,119)	2,124,508
Share issue	15,341	-	15,341
Profit for the nine months ended September 30 2019	-	517,747	517,747
Balance as at September 30 2019	6,544,627	(3,902,372)	2,642,255
Balance as at January 1 2020	6,822,170	(3,762,573)	3,059,597
Share issue	32,850	-	32,850
Profit for the nine months ended September 30 2020	-	423,458	423,458
Balance as at September 30 2020	6,855,020	(3,339,115)	3,515,905

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

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

CONSOLIDATED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30 2020 AND 2019

	Notes	Sep 30 2020	Sep 30 2019
		\$	\$
Cash flow from operating activities			
Receipts from customers		6,395,815	5,158,272
Payments to suppliers and employees		(5,395,439)	(3,875,777)
Interest received		22,343	59,577
Net cash provided by/(used in) operating activities		1,022,719	1,342,072
Cash flow from investing activities			
Payment for plant and equipment		(5,965)	(5,654)
Payment for investments		-	(500,000)
Redemption of investments		1,924,659	-
Net cash provided by/(used in) investing activities		1,918,694	(505,654)
Cash flow from financing activities			
Proceeds from share issues		-	-
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		2,941,413	836,418
Cash and cash equivalents at beginning of the nine-month period		1,678,713	2,609,158
Cash and cash equivalents at end of the nine-month period	5	4,620,126	3,445,576

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE
NINE-MONTHS ENDED SEPTEMBER 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 nine-months ended September 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 nine-months ended September 30 2020.

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

ABN: 44 121 655 472

	Nine-months ended	
	Sep 30 2020	Sep 30 2019
	\$	\$

NOTE 3: REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognised at a point in time:

Transaction fees	5,836,547	4,578,063
Chargeback fees	<u>145,565</u>	<u>127,505</u>
	<u>5,985,112</u>	<u>4,705,568</u>

NOTE 4: INCOME TAX

(a) Components of tax expense

Deferred tax	<u>137,340</u>	<u>196,387</u>
	<u>137,340</u>	<u>196,387</u>

(b) Income tax reconciliation

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

Income tax expense attributable to profit	154,220	196,387
Less tax effect of		
- Non-taxable income	<u>(16,880)</u>	<u>-</u>
	<u>137,340</u>	<u>196,387</u>

	Sep 30 2020	Dec 31 2019
	\$	\$

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	<u>4,620,126</u>	<u>1,678,713</u>
	<u>4,620,126</u>	<u>1,678,713</u>

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

Merchant floats	720,670	512,392
Merchant bonds	<u>665,226</u>	<u>636,751</u>
	<u>1,385,896</u>	<u>1,149,143</u>

NOTE 6: OTHER FINANCIAL ASSETS

Financial assets at amortised cost:

- Units in residential mortgage fund ⁽¹⁾	<u>-</u>	<u>1,924,659</u>
	<u>-</u>	<u>1,924,659</u>

⁽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 progressively redeemed in full during the first six months of 2020.

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

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

	Sep 30 2020	Dec 31 2019
	\$	\$
NOTE 7: PLANT AND EQUIPMENT		
<i>Plant & equipment</i>		
At cost	17,135	11,170
Accumulated depreciation	(16,869)	(10,071)
	266	1,099
 <i>Reconciliation</i>		
Carrying amount at beginning of the period	1,099	1,654
Additions	5,965	5,139
Depreciation expense	(6,798)	(5,694)
Carrying amount end of the period	266	1,099
 NOTE 8: INTANGIBLE ASSETS		
<i>Patents</i>		
At cost	153,393	153,393
Accumulated impairment loss	(100,235)	(94,427)
	53,158	58,866
 <i>Reconciliation</i>		
Carrying amount at beginning of period	58,866	62,671
Amortisation	(5,707)	(3,805)
Carrying amount at end of period	53,158	58,866
 <i>Capitalised software development</i>		
At cost	233,733	233,733
Accumulated impairment loss	(150,036)	(117,281)
	83,697	116,452
 <i>Reconciliation</i>		
Carrying amount at beginning of period	116,452	139,825
Amortisation	(32,755)	(23,373)
Carrying amount at end of period	83,697	116,452
 Total intangible assets	 136,855	 175,318

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

SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES

ABN: 44 121 655 472

	Sep 30 2020	Dec 31 2019
	\$	\$
NOTE 9: PAYABLES		
Trade payables	208,443	86,539
Merchant floats	720,670	512,392
Merchant bonds	665,226	636,751
Accrued transaction processing fees	458,407	375,029
Other payables	45,935	80,350
	<u>2,098,681</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>

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

Entity	Transaction	Amount (\$)		Payables (\$)	
		30 Sep 20	30 Sep 19	30 Sep 20	31 Dec 19
Sigrist Design Pty Ltd ⁽¹⁾	Other expenses	7,500	18,900	-	2,750
Directors	Director fees	422,918	322,245	51,834	44,330
Senior Officers	Consultancy fees	93,333	66,129	10,667	10,649
Director – John O’Connor ⁽²⁾	Professional fees	97,500	-	11,000	-
Shape Capital Pty Ltd ⁽³⁾	Professional fees	60,000	-	11,000	-

- (1) Director Peter Hall (resigned February 21, 2020) has a beneficial interest in Sigrist 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 nine-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. From August 2020, this agreement continues on a month-to-month basis as required.
- (3) Shape Capital Pty Ltd has a nine-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

- On October 2nd, the company invested \$CAD380,000 for approximately 11% in Canadian company Vello Technologies Pty Ltd.

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 September 30 2020 and of its performance for the nine-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 nine-months ended September 30 2020.

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



Athan Lekkas
Director

Melbourne
Date November 6 2020