

SQID Technologies Limited

ABN 44 121 655 472

Condensed Interim Financial Statements - 30 June 2021

SQID Technologies Limited
Corporate directory
30 June 2021

Directors	Andrew Sterling John O'Connor Michael Clarke Athanasios Lekkas
Company secretary	Mark Pryn
Registered office	Level 14 440 Collins Street Melbourne VIC 3000
Principal place of business	Level 14 440 Collins Street Melbourne VIC 3000
Auditor	Pitcher Partners Level 38 345 Queen Street Brisbane QLD 4000
Website	sqidtechnologies.com.au

SQID Technologies Limited
Directors' report
30 June 2021

The Directors present their report, together with the interim consolidated financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of SQID Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2021.

Directors

The following persons were Directors of SQID Technologies Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Andrew Sterling
Michael Clarke
Athan Lekkas
John O'Connor (resigned 2 March 2021)

Principal activities

During the financial period the principal continuing activities of the Group include:

- to provide merchant services and transaction processing to business merchants and ecommerce customers across both Business to Business (B2B) and Business to Consumer (B2C) segments through its leading partner platform; and
- since 1 February 2021 upon gaining a controlling interest in ICON Esports Pty Ltd (ICON), investing and growing esports gaming interests.

Significant changes in the state of affairs

On 1 February 2021 the Group subscribed to 2,150,000 new shares issued by ICON Esports Pty Ltd (ICON) The Group has a controlling interest in ICON as it has 50% of the voting rights and the ICON board comprises a majority of parent entity directors. ICON is a leading Australia & New Zealand esports and gaming organisation, focussed on the commercial landscape of the Oceanic market through brand driven marketing campaigns and partnerships, nutrition supplements and merchandise to their esports and gaming audience. The Group paid ICON a cash consideration of \$2,150,000, represented by identifiable net assets acquired totalling \$2,259,122, less the 50% non controlling interests of \$848,696 plus goodwill \$739,574.

On 16 April 2021, the Group signed a new agreement with Merchant Warrior to provide a range of new payment solutions to its customers including the ability to offer ApplePay, GooglePay, BPAY and Electronic Funds Transfer. The Merchant Warrior agreement allows the Group the opportunity to build upon their payment solution offering whilst removing the need to maintain and develop its existing platform and legacy systems. Under the agreement the Group receives commission revenue based on payments processed on behalf of SQID clients.

There were no other significant changes in the state of affairs of the Group during the financial period.

Review of operations

The net loss for the period of \$1,745,590 (2020: \$237,383 profit) and was attributable to non-controlling interests of \$223,200 (2020:Nil) and SQID Technology Limited shareholders \$1,538,690 (2020: \$237,383 gain). The net loss comprises:

- * ICON (esports & gaming) loss before depreciation and amortisation (EBITDA) \$446,400 (2020: Nil),
- * SQID (payments solutions) EBITDA loss \$533,711 (2020: \$751,520 profit),
- * Corporate asset management EBITDA loss \$419,636 (2020: \$431,132), and
- * Depreciation and amortisation charges of \$224,401 (2020: 32,162). Depreciation and amortisation for the current period relates to the amortisation of intangibles identified upon the acquisition of the ICON esports and gaming operations.

Net cash outflows from operating activities were \$1,330,373 (2020: \$478,353 inflows)

Group customer revenue for the reporting period was \$440,446 (2020: \$3,937,779). Esports and gaming revenue was \$228,631 (2020: Nil). Payment solutions revenue was down 94.6% at 211,815 (2020: \$3,937,779). The decrease in revenue is attributable to the cessation of services from 23 November 2020 onwards, to a large customer group unable to meet the Payment Card Industry Data Security Standard ("PCI") compliance levels. In April 2021, the group migrated its payments business to an external platform provided by Merchant Warrior which will reduce payment related overheads and operating costs going forward.

Gross loss for the period was \$218,647 (2020: \$1,564,424 gross profit) .

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During the reporting period the Group received COVID-19 related payments from the Federal Government totalling \$12,000 (2020: \$28,589)

During the reporting period the Group recorded net fair value losses on other financial assets (investments) totalling \$171,800 (2020: Nil) comprising realised gains on ASX listed securities acquired during the previous reporting period totalling \$336,893 and a unrealised losses of \$508,693 booked against the Group's interest in the Canadian based Vello Technologies Inc. following its unsuccessful application to list on the Canadian Securities Exchange (CSE). During the reporting period Vello Technologies Inc. acquired the Australian based Vello Technologies under a share swap agreement.

Operating expenses were \$1,245,715 (2020: \$1,298,749) and include depreciation and amortisation charges \$224,401 (2020: \$32,162). The higher charge relates to the amortisation of intangibles associated with the ICON acquisition. Payment solutions expenses include non-recurring run-off costs as the business migrated to the Merchant Warrior platform.

Financial position:

The statement of financial position shows total equity of \$2,313,599 (31 December 2020: \$3,210,493) including non-controlling interest \$625,496 (31 December 2020: nil). Current assets at \$2,949,629 (31 December 2020: \$3,876,825) include cash balances \$2,171,363 (31 December 2020: \$2,998,162). Non-current assets at \$1,122,141 (31 December 2020: \$725,373) include intangibles relating to the ICON acquisition totalling \$1,076,903 (31 December 2020: Nil). Current liabilities at \$1,744,110 (31 December 2020: \$1,376,292) include merchant liabilities \$1,094,061 (31 December 2020: \$1,093,082) and contract liabilities \$235,000 (31 December 2020: nil). Non-current liabilities at \$14,061 (31 December 2020: \$15,413) relate to employee provisions.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Matters subsequent to the end of the financial period

On 13 July 2021 Vello Technologies Inc (an investee company) agreed to unwind a share swap agreement which will result in the cancellation of 20 million shares and effectively return the ownership of Vello Technologies Pty Ltd back to the Australian shareholders. The cancellation of the shares will result in the Group holding a greater than 20% interest in Vello Technologies Inc and thereby in a position to exert significant influence which will require the Group to equity account its Vello related interests in subsequent reporting periods.

On 13 August 2021 200,000 options issued to third parties lapsed. The options were granted on 13 August 2020 with an exercise price of \$0.80. The Group now has no outstanding options on issue.

On 6 October 2021 SQID Technologies Limited (CSE: SQID) announced a non-brokered private placement offering of up to 5,000,000 units of SQID ("Units") at a price of CAD\$0.30 per Unit for anticipated gross proceeds of up to CAD\$1,500,000 (the "Private Placement").

Each Unit is expected to be comprised of one ordinary share in the capital of SQID ("Common Share") and one Common Share purchase warrant ("Warrant"). Each Warrant will entitle the holder thereof to acquire one Common Share for a period of 36 months from the date such Warrant was issued, at an exercise price of CAD\$0.45.

The net proceeds of the Private Placement will be used for general working capital, business development activities and corporate purposes.

Closing of the Private Placement is subject to receipt of all necessary corporate and regulatory approvals, including the Canadian Securities Exchange. In accordance with applicable securities legislation, all ordinary shares issued pursuant to the Private Placement will be subject to a statutory hold period of four months from the date of issuance.

The Private Placement is not subject to a minimum amount of proceeds and may close in one or more tranches.

Although the Private Placement is non-brokered, SQID has engaged Shape Capital Pty Ltd. to act as a finder in connection with the Private Placement and as compensation, therefore, has agreed to pay a cash finder's fee to Shape Capital Pty Ltd. equal to 8% of the aggregate gross proceeds of the subscribers introduced to SQID by Shape Capital Pty Ltd.

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On 13 October 2021 the Group's wholly owned and dormant subsidiary SQID Payments NZ Limited was deregistered as a New Zealand company.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments

The Group is considering increasing its holding in Icon Esports Pty Ltd from 50% to 100%.

There are no other likely developments to disclose.

Environmental regulation

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Athan Lekkas
Director

15 October 2021

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Brisbane, QLD 4000

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Brisbane, QLD 4001

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The Directors
SQID Technologies Limited
Level 14, 440 Collins Street
MELBOURNE VIC 3000

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 30 June 2021, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of SQID Technologies Limited and the entities it controlled during the period.

PITCHER PARTNERS



JASON EVANS
Partner

Brisbane, Queensland
15 October 2021

Brisbane Sydney Newcastle Melbourne Adelaide Perth



bakertilly
NETWORK MEMBER

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SQID Technologies Limited

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General information

The condensed interim consolidated financial statements cover SQID Technologies Limited as a Group consisting of SQID Technologies Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is SQID Technologies Limited's functional and presentation currency.

SQID Technologies Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 14
440 Collins Street
Melbourne VIC 3000

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 October 2021.

SQID Technologies Limited
Condensed interim consolidated statement of profit or loss and other comprehensive income
For the period ended 30 June 2021

	Note	Consolidated 6 months ended 30 Jun 21 \$	6 months ended 30 Jun 20 \$
Revenue			
Revenue from contracts with customers	3	440,446	3,937,779
Direct costs		<u>(659,093)</u>	<u>(2,373,355)</u>
Gross profit/(loss)		<u>(218,647)</u>	<u>1,564,424</u>
Fair value losses on financial assets (investments)		(171,800)	-
Government assistance (COVID-19)		12,000	28,589
Interest income		14	22,319
Total revenue		<u>280,660</u>	<u>3,988,687</u>
Expenses			
Professional fees		(240,772)	(414,420)
Employee benefits expense		(213,435)	(280,855)
Non executive director fees		(46,667)	(63,333)
Depreciation and amortisation		(224,401)	(32,162)
Other expenses		(39,771)	(77,985)
Marketing		(20,370)	-
Consultancy fees		(263,669)	(286,681)
Listing expenses		(36,495)	(51,446)
IT and hosting costs		(160,135)	(52,177)
Loss on redemption of investment held at amortised cost		-	(39,690)
Total expenses		<u>(1,245,715)</u>	<u>(1,298,749)</u>
Profit/(loss) before income tax expense		(1,624,148)	316,583
Income tax expense	9	<u>(121,442)</u>	<u>(79,200)</u>
Profit/(loss) after income tax expense for the period		(1,745,590)	237,383
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>(1,745,590)</u>	<u>237,383</u>
Profit/(loss) for the period is attributable to:			
Non-controlling interest		(223,200)	-
Owners of SQID Technologies Limited		<u>(1,522,390)</u>	<u>237,383</u>
		<u>(1,745,590)</u>	<u>237,383</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(223,200)	-
Owners of SQID Technologies Limited		<u>(1,522,390)</u>	<u>237,383</u>
		<u>(1,745,590)</u>	<u>237,383</u>
		Cents	Cents
Basic earnings per share for profit/(loss)	17	(19.09)	2.98
Diluted earnings per share for profit/(loss)	17	(19.09)	2.98

The above condensed interim consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

SQID Technologies Limited
Condensed interim consolidated statement of financial position
As at 30 June 2021

	Note	Consolidated 30 Jun 21 \$	31 Dec 20 \$
Assets			
Current assets			
Cash and cash equivalents	4	2,171,363	2,998,162
Receivables	5	538,825	285,483
Other financial assets	6	-	354,000
Security deposits	7	236,630	186,987
Other current assets		2,811	52,193
Total current assets		<u>2,949,629</u>	<u>3,876,825</u>
Non-current assets			
Other financial assets	6	45,238	553,931
Intangibles	8	1,076,903	-
Deferred tax assets	9	-	121,442
Security deposits	7	-	50,000
Total non-current assets		<u>1,122,141</u>	<u>725,373</u>
Total assets		<u>4,071,770</u>	<u>4,602,198</u>
Liabilities			
Current liabilities			
Trade and other payables	10	363,391	213,525
Employee provisions		51,658	69,685
Merchant liabilities	11	1,094,061	1,093,082
Contract liabilities	12	235,000	-
Total current liabilities		<u>1,744,110</u>	<u>1,376,292</u>
Non-current liabilities			
Employee provisions		14,061	15,413
Total non-current liabilities		<u>14,061</u>	<u>15,413</u>
Total liabilities		<u>1,758,171</u>	<u>1,391,705</u>
Net assets		<u>2,313,599</u>	<u>3,210,493</u>
Equity			
Issued capital	13	6,855,020	6,855,020
Reserves		45,639	45,639
Accumulated losses		(5,212,556)	(3,690,166)
Equity attributable to the owners of SQID Technologies Limited		1,688,103	3,210,493
Non-controlling interest		625,496	-
Total equity		<u>2,313,599</u>	<u>3,210,493</u>

The above condensed interim consolidated statement of financial position should be read in conjunction with the accompanying notes

SQID Technologies Limited
Condensed interim consolidated statement of changes in equity
For the period ended 30 June 2021

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2020	6,822,170	-	(3,762,573)	-	3,059,597
Profit after income tax expense for the period	-	-	237,383	-	237,383
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	237,383	-	237,383
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	32,850	-	-	-	32,850
Balance at 30 June 2020	<u>6,855,020</u>	<u>-</u>	<u>(3,525,190)</u>	<u>-</u>	<u>3,329,830</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2021	6,855,020	45,639	(3,690,166)	-	3,210,493
Loss after income tax expense for the period	-	-	(1,522,390)	(223,200)	(1,745,590)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	(1,522,390)	(223,200)	(1,745,590)
Non-controlling interests on acquisition of subsidiary	-	-	-	848,696	848,696
Balance at 30 June 2021	<u>6,855,020</u>	<u>45,639</u>	<u>(5,212,556)</u>	<u>625,496</u>	<u>2,313,599</u>

The above condensed interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes

SQID Technologies Limited
Condensed interim consolidated statement of cash flows
For the period ended 30 June 2021

	Note	Consolidated 6 months ended 30 Jun 21 \$	6 months ended 30 Jun 20 \$
Cash flows from operating activities			
Receipts from customers		436,966	4,353,445
Payments to suppliers and employees		<u>(1,767,353)</u>	<u>(3,897,411)</u>
Interest received		(1,330,387) 14	456,034 <u>22,319</u>
Net cash from/(used in) operating activities		<u>(1,330,373)</u>	<u>478,353</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(5,965)
Proceeds from the sale of other financial assets		690,893	-
Redemption of investments		<u>-</u>	<u>1,924,659</u>
Net cash from investing activities		<u>690,893</u>	<u>1,918,694</u>
Cash flows from financing activities			
Repayment of borrowings		<u>(228,750)</u>	<u>-</u>
Net cash used in financing activities		<u>(228,750)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		(868,230)	2,397,047
Cash and cash equivalents at the beginning of the financial period		2,998,162	1,678,713
Cash acquired from business combination	15	<u>41,431</u>	<u>-</u>
Cash and cash equivalents at the end of the financial period		<u><u>2,171,363</u></u>	<u><u>4,075,760</u></u>

The above condensed interim consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2020.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New accounting policies adopted as a result of the acquisition of Icon Esports Pty Ltd

(a) Revenue recognition

Revenue from the provision of esports and gaming services is recognised over time in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. Contracts may include multiple deliverables. In this case, the transaction price will be allocated to each performance obligation based on the relative stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(b) Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

(c) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Sponsorship and membership contracts

Sponsorship and membership contracts associated subsidiaries acquired are fair valued at the time of acquisition and included in intangible assets. Sponsorship and membership contracts are amortised over the life of the underlying contract. These intangible assets are carried at the historical fair value less accumulated amortisation and less any losses from impairment testing.

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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Notes to the condensed interim consolidated financial statements
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Note 1. Significant accounting policies (continued)

Going concern

For the period ended 30 June 2021, the Group recorded revenue from contracts with customers of \$440,446 (2020: \$3,937,779) incurred a net loss of \$1,745,590 (2020: \$237,383 profit) and had operating cash outflows of \$1,330,373 (2020: \$478,353 inflows). As at 30 June 2021 the Group had net tangible assets of \$1,236,696 (31 December 2020: \$3,210,493).

These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. However, it is important to note the following:

- In order to mitigate the impact of the loss of payment solutions revenue announced in November 2020, the Group has since right sized its payment solutions cost base including staff and overhead reductions and outsourcing its payments solution platform. The Group continues to actively promote payment solution products through its website and access to gaming and esports customers,
- Effective 1 February 2021, the Group has acquired 50% of Icon Esports Pty Ltd a leading Australia & New Zealand esports and gaming organisation, and
- On 6 October 2021 the Group announced a non-brokered private placement anticipated gross proceeds of up to CAD\$1,500,000. The net placement proceeds will be used for general working capital, business development activities and corporate purposes.

Should the above not generate the expected cash flows, the Group may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts that differ from those stated in the financial statements. The report does not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Based on the success of the previous capital raisings combined with the anticipated cash-flows arising from the integration of Icon Esports Pty Ltd and the private placement referred to above, the Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

Note 2. Operating segments

On 1 February 2021, a new business segment was introduced to the Group upon gaining control of Icon Esports Pty Ltd.

For management purposes, the group is now organised into three operating segments: payment solutions, esports and gaming and corporate asset management. The Group segments operate independently and discrete segmented financial information is reported to the Board. All significant operating decisions are based upon segmented analysis of the Group.

The financial results from these segments are equivalent to the financial statements 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.

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Note 2. Operating segments (continued)

Operating segment information

	Payment Solutions \$	Esports and Gaming \$	Corporate asset management \$	Total \$
Consolidated - 6 months ended 30 Jun 21				
Revenue				
Revenue from contracts with customers	211,815	228,631	-	440,446
Government assistance (COVID-19)	12,000	-	-	12,000
Fair value losses on financial assets	-	-	(171,800)	(171,800)
Interest revenue	14	-	-	14
Total revenue	223,829	228,631	(171,800)	280,660
EBITDA	(533,711)	(446,400)	(419,636)	(1,399,747)
Depreciation and amortisation	-	(224,401)	-	(224,401)
Loss before income tax expense	(533,711)	(670,801)	(419,636)	(1,624,148)
Income tax expense				(121,442)
Loss after income tax expense				(1,745,590)
Assets				
Segment assets	1,101,281	2,847,818	122,671	4,071,770
Total assets				4,071,770
Liabilities				
Segment liabilities	1,165,327	519,924	72,920	1,758,171
Total liabilities				1,758,171
Consolidated - 6 months ended 30 Jun 20				
	Payment Solutions \$	Esports and Gaming \$	Corporate asset management \$	Total \$
Revenue				
Revenue from contracts with customers	3,937,779	-	-	3,937,779
Government assistance (COVID-19)	28,589	-	-	28,589
Interest revenue	22,319	-	-	22,319
Total revenue	3,988,687	-	-	3,988,687
EBITDA	779,877	-	(431,132)	348,745
Depreciation and amortisation	(28,357)	-	(3,805)	(32,162)
Profit/(loss) before income tax expense	751,520	-	(434,937)	316,583
Income tax expense				(79,200)
Profit after income tax expense				237,383
Consolidated - 31 Dec 20				
Assets				
Segment assets	3,548,939	-	1,053,259	4,602,198
Total assets				4,602,198
Liabilities				
Segment liabilities	1,320,126	-	71,579	1,391,705
Total liabilities				1,391,705

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Note 3. Revenue from contracts with customers

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	6 months ended 30 Jun 21 \$	6 months ended 30 Jun 20 \$
Transaction fees	199,034	3,829,244
Chargeback fees	6,965	108,535
Commission	5,816	-
<i>Total payment solutions revenue recognised at a point in time</i>	<u>211,815</u>	<u>3,937,779</u>
Sponsorships (<i>transferred over time</i>)	167,072	-
Merchandise (<i>recognised at a point in time</i>)	36,391	-
Other (including prize money <i>recognised at a point in time</i>)	25,168	-
<i>Total esports and gaming revenue</i>	<u>228,631</u>	<u>-</u>
	<u>440,446</u>	<u>3,937,779</u>

Note 4. Cash and cash equivalents

	Consolidated	
	30 Jun 21 \$	31 Dec 20 \$
<i>Current assets</i>		
Cash at bank and on hand	<u>2,171,363</u>	<u>2,998,162</u>
Cash at bank includes the following balances on behalf of merchants		
Merchant floats (refer note 10 'Trade and other payables')	-	34,433
Merchant bonds (refer note 11 'Merchant liabilities')	<u>1,094,061</u>	<u>1,093,082</u>
	<u>1,094,061</u>	<u>1,127,515</u>

Note 5. Receivables

	Consolidated	
	30 Jun 21 \$	31 Dec 20 \$
<i>Current assets</i>		
Receivables from contracts with customers	507,460	155,507
Less: Allowance for expected credit losses	(12,500)	-
Other receivables	<u>43,865</u>	<u>129,976</u>
	<u>538,825</u>	<u>285,483</u>

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Notes to the condensed interim consolidated financial statements
30 June 2021

Note 6. Other financial assets

	Consolidated	
	30 Jun 21	31 Dec 20
<i>Current assets</i>		
Listed securities	-	354,000
<i>Non-current assets</i>		
Unlisted securities	45,238	553,931
	<u>45,238</u>	<u>907,931</u>

Refer to note 14 'Fair value measurement' for further information.

Movements between the financial asset carrying amounts at the beginning and end of the current and previous financial year are set out below:

	Listed securities *	Unlisted securities **	Total
Consolidated - 2021			
Balance as at 1 January 2021	354,000	553,931	907,931
Disposal proceeds	(690,893)	-	(690,893)
Fair value gains / (losses) through profit or loss	336,893	(508,693)	(171,800)
	<u>-</u>	<u>45,238</u>	<u>45,238</u>
Consolidated - 2020			
Additions	240,000	402,859	642,859
Fair value gains / (losses) through profit or loss	114,000	151,072	265,072
	<u>354,000</u>	<u>553,931</u>	<u>907,931</u>

Movements between the financial asset carrying amounts at the beginning and end of the current and previous financial year are set out below:

- * On 7 December 2020 the Group invested \$240,000 in Cirralto Ltd (ASX:CRO) share placement and received 1 free listed option for every 4 placement shares. The shares and options were sold during the reporting period
- ** On 2 October 2020 the Group invested A\$402,859 (CAD\$380,000) in shares and warrants issued by Vello Technologies Inc ('Vello'). The investment was subsequently written down to A\$45,238 (CAD\$42,091).

Note 7. Security deposits

	Consolidated	
	30 Jun 21	31 Dec 20
	\$	\$
<i>Current assets</i>		
Payment processing security deposits	236,630	186,987
<i>Non-current assets</i>		
Payment processing security deposits	-	50,000
	<u>236,630</u>	<u>236,987</u>

SQID Technologies Limited
Notes to the condensed interim consolidated financial statements
30 June 2021

Note 8. Intangibles

	Consolidated	
	30 Jun 21	31 Dec 20
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	739,574	-
Patents - at cost	153,393	153,393
Less: Accumulated amortisation	(102,136)	(102,136)
Less: Impairment	(51,257)	(51,257)
	<u>-</u>	<u>-</u>
Capitalised software development - at cost	233,732	233,732
Less: Accumulated amortisation	(160,953)	(160,953)
Less: Impairment	(72,779)	(72,779)
	<u>-</u>	<u>-</u>
Sponsorship and membership contracts	561,730	-
Less: Accumulated amortisation	(224,401)	-
	<u>337,329</u>	<u>-</u>
	<u><u>1,076,903</u></u>	<u><u>-</u></u>

Upon acquisition of the Group's 50% controlling interest in ICON Esports Pty Ltd sponsorship and membership contract balances were recognised as identifiable intangibles at fair value and the goodwill recognised represents residual unidentifiable intangibles included in the purchase consideration. The sponsorship and membership balance is being amortised over the life of the underlying contracts. Refer to note 15 'Business combinations' for further information.

The prior year impairment of patents and capitalised software development costs was recognised as a separate expense line item in the statement of consolidated profit or loss and other comprehensive income in the audited financial statements for the year ended 31 December 2020.

Note 9. Deferred tax assets

	Balance as at	Movement	Balance as at
	1 Jan 2021	Income tax	30 Jun 2021
		expense *	
<i>Deferred tax balances movements relate to:</i>			
Listing costs	161,242	(161,242)	-
Accrued expenses	11,568	(11,568)	-
Employee benefits	23,402	(23,402)	-
Prepayments	(1,875)	1,875	-
Investments	(72,895)	72,895	-
	<u>121,442</u>	<u>(121,442)</u>	<u>-</u>

* The Group is no longer recognising net deferred assets as the ability to recover these balances is uncertain. As a result, the income tax expense for the period represents the reversal / derecognition of net deferred tax assets recognised in previous reporting periods.

SQID Technologies Limited
Notes to the condensed interim consolidated financial statements
30 June 2021

Note 10. Trade and other payables

	Consolidated	
	30 Jun 21	31 Dec 20
	\$	\$
<i>Current liabilities</i>		
Trade payables	103,147	93,018
Merchant floats	-	34,433
Accrued transaction processing fees	1,147	30,491
Other payables	259,097	55,583
	<u>363,391</u>	<u>213,525</u>

Note 11. Merchant liabilities

	Consolidated	
	30 Jun 21	31 Dec 20
	\$	\$
<i>Current liabilities</i>		
Merchant bonds	<u>1,094,061</u>	<u>1,093,082</u>

Merchant bonds are held as security against possible chargebacks against merchant payments processed.

Note 12. Contract liabilities

	Consolidated	
	30 Jun 21	31 Dec 20
	\$	\$
<i>Current liabilities</i>		
Revenue received in advance	<u>235,000</u>	<u>-</u>

Note 13. Issued capital

	Consolidated			
	30 Jun 21	31 Dec 20	30 Jun 21	31 Dec 20
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>7,973,456</u>	<u>7,973,456</u>	<u>6,855,020</u>	<u>6,855,020</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

SQID Technologies Limited
Notes to the condensed interim consolidated financial statements
30 June 2021

Note 14. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 Jun 21	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Financial assets at fair value through profit or loss</i>				
Unlisted securities *	-	-	45,238	45,238
Total assets	-	-	45,238	45,238

Consolidated - 31 Dec 20	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Financial assets at fair value through profit or loss</i>				
Listed securities	354,000	-	-	354,000
Unlisted securities	-	-	553,931	553,931
Total assets	354,000	-	553,931	907,931

* Investments in unlisted securities are valued at fair value and classified as Level 3 within the fair value hierarchy. The directors have considered the available information regarding these investments and believe it is currently appropriate to recognise a fair value of \$45,238 (31 December 2020: \$553,931) based on either consideration paid for recent acquisitions or subsequent reviews of the underlying net asset backing of the security. During the reporting period the carrying value of investments classified as level 3 under the fair value hierarchy decreased by \$508,693 due to fair value losses based on the net asset backing of the underlying securities.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Level 3 assets and liabilities

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers will be selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

SQID Technologies Limited
Notes to the condensed interim consolidated financial statements
30 June 2021

Note 14. Fair value measurement (continued)

The Group policy is to reassess the fair value hierarchy level for each investment at the end of each reporting period. Where applicable investments will be transferred between fair value hierarchy levels at the most recent fair value determination prior to the transfer. There were no transfers between fair value hierarchy levels during the reporting period.

Note 15. Business combinations

On 1 February 2021 the Group subscribed to 2,150,000 new shares issued by ICON Esports Pty Ltd (ICON) which represented 50% of the total ICON shares on issue. The Group paid ICON a cash consideration of \$2,150,000. The Group has a controlling interest in ICON as it has 50% of the voting rights and the ICON board comprises a majority of parent entity directors.

Refer to note 2 'Operating segments' for details of the acquiree's contribution to Group revenue and results since acquisition.

The goodwill on acquisition (see table below), represents various qualitative factors including expected synergies from combining the respective business operations and the increased capacity for revenue growth following the injection of the \$2.150m purchase consideration into the business as working capital.

The business combination disclosures below fall within the 12 month measurement period prescribed by AASB3 Business Combinations.

Details of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	41,431
Other current assets	2,860
Sponsorship and membership contracts (intangibles identified)	561,730
Employee benefits	(184,839)
ATO Liabilities	(83,310)
Loans	(228,750)
Cash consideration paid by parent entity to ICON at acquisition date	2,150,000
Less non controlling interests	<u>(848,696)</u>
Net assets acquired	1,410,426
Goodwill	<u>739,574</u>
Cash consideration paid by the parent entity to ICON at acquisition date	<u><u>2,150,000</u></u>

Note 16. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 Jun 21 %	31 Dec 20 %
SQID Payments Pty Ltd	Australia	100%	100%
EFT Managed Services Pty Ltd	Australia	100%	100%
SQID Payments USA LLC	U.S.A	100%	100%
SQID Payments NZ Limited	New Zealand	100%	100%
ICON Esports Pty Ltd (<i>and wholly owned subsidiaries</i> <i>**</i>)	Australia	50%	-
**Tainted Minds E-Sports Pty Ltd	Australia		
**The Chiefs Esports Pty Ltd	Australia		

SQID Technologies Limited
Notes to the condensed interim consolidated financial statements
30 June 2021

Note 17. Earnings per share

	Consolidated	
	6 months	6 months
	ended 30	ended 30
	Jun 21	Jun 20
	\$	\$
Profit/(loss) after income tax	(1,745,590)	237,383
Non-controlling interest	223,200	-
	<u>(1,522,390)</u>	<u>237,383</u>
	Cents	Cents
Basic earnings per share for profit/(loss)	(19.09)	2.98
Diluted earnings per share for profit/(loss)	(19.09)	2.98
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>7,973,456</u>	<u>7,973,456</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>7,973,456</u>	<u>7,973,456</u>

Note 18. Events after the reporting period

On 13 July 2021 Vello Technologies Inc (an investee company) agreed to unwind a share swap agreement which will result in the cancellation of 20 million shares and effectively return the ownership of Vello Technologies Pty Ltd back to the Australian shareholders. The cancellation of the shares will result in the Group holding a greater than 20% interest in Vello Technologies Inc and thereby in a position to exert significant influence which will require the Group to equity account its Vello related interests in subsequent reporting periods.

On 13 August 2021 200,000 options issued to third parties lapsed. The options were granted on 13 August 2020 with an exercise price of \$0.80. The Group now has no outstanding options on issue.

On 6 October 2021 SQID Technologies Limited (CSE: SQID) announced a non-brokered private placement offering of up to 5,000,000 units of SQID (“Units”) at a price of CAD\$0.30 per Unit for anticipated gross proceeds of up to CAD\$1,500,000 (the “Private Placement”).

Each Unit is expected to be comprised of one ordinary share in the capital of SQID (“Common Share”) and one Common Share purchase warrant (“Warrant”). Each Warrant will entitle the holder thereof to acquire one Common Share for a period of 36 months from the date such Warrant was issued, at an exercise price of CAD\$0.45.

The net proceeds of the Private Placement will be used for general working capital, business development activities and corporate purposes.

Closing of the Private Placement is subject to receipt of all necessary corporate and regulatory approvals, including the Canadian Securities Exchange. In accordance with applicable securities legislation, all ordinary shares issued pursuant to the Private Placement will be subject to a statutory hold period of four months from the date of issuance.

The Private Placement is not subject to a minimum amount of proceeds and may close in one or more tranches.

Although the Private Placement is non-brokered, SQID has engaged Shape Capital Pty Ltd. to act as a finder in connection with the Private Placement and as compensation, therefore, has agreed to pay a cash finder’s fee to Shape Capital Pty Ltd. equal to 8% of the aggregate gross proceeds of the subscribers introduced to SQID by Shape Capital Pty Ltd.

On 13 October 2021 the Group’s wholly owned and dormant subsidiary SQID Payments NZ Limited was deregistered as a New Zealand company.

Note 18. Events after the reporting period (continued)

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

SQID Technologies Limited
Directors' declaration
30 June 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Athan Lekkas
Director

15 October 2021

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

Report on the Interim Consolidated Financial Statements

Conclusion

We have reviewed the accompanying interim consolidated financial statements of SQID Technologies Limited, "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial statements of the Group does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the period ended on that date; and
- b) complying with IAS 34 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 "Going Concern" in the consolidated interim financial statements. The conditions disclosed in note 1 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amount stated in the Financial Report. Our opinion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the interim consolidated financial statements that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim consolidated financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim consolidated financial statements is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the period ended on that date, and complying with IAS 34 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of interim consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PITCHER PARTNERS



JASON EVANS
Partner

Brisbane, Queensland
15 October 2021