

SQID Technologies Limited

ABN 44 121 655 472

**Condensed Interim Consolidated Financial Statements for the
Nine Month Period Ended 30 September 2021**

SQID Technologies Limited
Corporate directory
30 September 2021

| | |
|-----------------------------|---|
| Directors | Andrew Sterling 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 |
| Stock exchange listing: | Canadian Securities Exchange (CSE:SQID) |

SQID Technologies Limited
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30 September 2021

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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 a 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 financial statements note 1 'Nature and continuance of operations'.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 November 2021.

SQID Technologies Limited
Statement of financial position
As at 30 September 2021

| | | Consolidated | |
|--|-------------|---------------------|--------------------|
| | Note | 30 Sep 2021 | 31 Dec 2020 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 2,017,549 | 2,998,162 |
| Receivables | 6 | 346,064 | 285,483 |
| Other financial assets | 7 | - | 354,000 |
| Security deposits | | 239,445 | 186,987 |
| Other current assets | | - | 52,193 |
| Total current assets | | <u>2,603,058</u> | <u>3,876,825</u> |
| Non-current assets | | | |
| Other financial assets | 7 | 45,238 | 553,931 |
| Intangibles | 8 | 966,291 | - |
| Deferred tax assets | 9 | - | 121,442 |
| Security deposits | | - | 50,000 |
| Total non-current assets | | <u>1,011,529</u> | <u>725,373</u> |
| Total assets | | <u>3,614,587</u> | <u>4,602,198</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 357,936 | 213,525 |
| Employee provisions | | 51,658 | 69,685 |
| Merchant liabilities | 11 | 1,089,061 | 1,093,082 |
| Contract liabilities | | 202,500 | - |
| Total current liabilities | | <u>1,701,155</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>1,715,216</u> | <u>1,391,705</u> |
| Net assets | | <u>1,899,371</u> | <u>3,210,493</u> |
| Equity | | | |
| Issued capital | 12 | 6,855,020 | 6,855,020 |
| Reserves | | - | 45,639 |
| Accumulated losses | | (5,516,373) | (3,690,166) |
| Equity attributable to the owners of SQID Technologies Limited | | 1,338,647 | 3,210,493 |
| Non-controlling interest | | 560,724 | - |
| Total equity | | <u>1,899,371</u> | <u>3,210,493</u> |

Approved by:
"Michael Clarke"
Acting CEO and Audit Committee Chair

SQID Technologies Limited
Statement of profit or loss and other comprehensive income
For the period ended 30 September 2021

| | | Consolidated | |
|---|-------------|--|--|
| | Note | 9 months ended 30 Sep 2021 \$ | 9 months ended 30 Sep 2020 \$ |
| Revenue | | | |
| Revenue from contracts with customers | 4 | 729,481 | 5,985,112 |
| Direct costs | | <u>(834,515)</u> | <u>(3,618,834)</u> |
| Gross profit/(loss) | | <u>(105,034)</u> | <u>2,366,278</u> |
| Fair value losses on financial assets (investments) | | (171,800) | - |
| Government assistance (COVID-19) | | 12,000 | - |
| Interest income | | 59 | 22,343 |
| Other income | | - | 61,382 |
| Expenses | | | |
| Professional fees | | (399,165) | (682,856) |
| Employee benefits expense | | (338,262) | (402,045) |
| Non-executive director fees | | (66,667) | (93,333) |
| Depreciation and amortisation | | (335,013) | (45,260) |
| Write off of assets | | (12,500) | - |
| Other expenses | | (55,853) | (119,153) |
| Marketing | | (28,195) | - |
| Consultancy fees | | (303,669) | (422,918) |
| Listing expenses | | (36,174) | (11,765) |
| IT and hosting costs | | (198,103) | (72,185) |
| Loss on redemption of investment held at amortised cost | | - | (39,690) |
| Total expenses | | <u>(1,773,601)</u> | <u>(1,889,205)</u> |
| Profit/(loss) before income tax expense | | (2,038,376) | 560,798 |
| Income tax expense | 9 | <u>(121,442)</u> | <u>(137,340)</u> |
| Profit/(loss) after income tax expense for the period | | (2,159,818) | 423,458 |
| Other comprehensive income for the period, net of tax | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the period | | <u><u>(2,159,818)</u></u> | <u><u>423,458</u></u> |
| Profit/(loss) for the period is attributable to: | | | |
| Non-controlling interest | | (287,972) | - |
| Owners of SQID Technologies Limited | | <u>(1,871,846)</u> | <u>423,458</u> |
| | | <u><u>(2,159,818)</u></u> | <u><u>423,458</u></u> |
| Total comprehensive income for the period is attributable to: | | | |
| Non-controlling interest | | - | - |
| Owners of SQID Technologies Limited | | <u>(2,159,818)</u> | <u>423,458</u> |
| | | <u><u>(2,159,818)</u></u> | <u><u>423,458</u></u> |
| | | Cents | Cents |
| Basic earnings per share for profit/(loss) | 16 | (23.48) | 5.35 |
| Diluted earnings per share for profit/(loss) | 16 | (23.48) | 5.35 |

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

SQID Technologies Limited
Statement of changes in equity
For the period ended 30 September 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 | - | - | 423,458 | - | 423,458 |
| Other comprehensive income for the period, net of tax | - | - | - | - | - |
| Total comprehensive income for the period | - | - | 423,458 | - | 423,458 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs | 32,850 | - | - | - | 32,850 |
| Balance at 30 September 2020 | <u>6,855,020</u> | <u>-</u> | <u>(3,339,115)</u> | <u>-</u> | <u>3,515,905</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 | - | - | (1,871,846) | (287,972) | (2,159,818) |
| Other comprehensive income for the period, net of tax | - | - | - | - | - |
| Total comprehensive income for the period | - | - | (1,871,846) | (287,972) | (2,159,818) |
| Non-controlling interests on acquisition of subsidiary | - | - | - | 848,696 | 848,696 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Lapsed options | - | (45,639) | 45,639 | - | - |
| Balance at 30 September 2021 | <u>6,855,020</u> | <u>-</u> | <u>(5,516,373)</u> | <u>560,724</u> | <u>1,899,371</u> |

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

SQID Technologies Limited
Statement of cash flows
For the period ended 30 September 2021

| | Note | Consolidated 9 months ended 30 Sep 2021 \$ | 9 months ended 30 Sep 2020 \$ |
|--|-------------|---|--|
| Cash flows from operating activities | | | |
| Receipts from customers | | 810,536 | 6,395,815 |
| Payments to suppliers and employees | | <u>(2,294,782)</u> | <u>(5,395,439)</u> |
| Interest received | | (1,484,246) 59 | 1,000,376 22,343 |
| Net cash from/(used in) operating activities | | <u>(1,484,187)</u> | <u>1,022,719</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | - | (5,965) |
| Proceeds from 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 | | (1,022,044) | 2,941,413 |
| Cash and cash equivalents at the beginning of the financial period | | 2,998,162 | 1,678,713 |
| Cash acquired from business combination | 14 | <u>41,431</u> | <u>-</u> |
| Cash and cash equivalents at the end of the financial period | | <u><u>2,017,549</u></u> | <u><u>4,620,126</u></u> |

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

Note 1. Nature and continuance of operations

The Parent Entity, SQID Technologies Limited is incorporated under the Laws of Australia, specifically the Corporations Act 2001. The registered office and principal place of business of SQID Technologies Limited is located at Level 14 440 Collins St Melbourne, Victoria, 3000, Australia. The Parent Entity's shares are listed on the Canadian Securities Exchange (CSE:SQID).

The Consolidated Entity comprises SQID Technologies Limited as the parent and controlled entities. Refer to note 15 'Interests in subsidiaries'.

The Consolidated Entity may also be referred to as the "Group" and the Parent Entity may also be referred to as the "Company".

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.

Note 2. 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.

Note 2. Significant accounting policies (continued)

(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.

Going concern

For the period ended 30 September 2021, the Group recorded revenue from contracts with customers of \$729,481 (2020: \$5,985,112) incurred a net loss of \$2,159,818 (2020: \$423,458 profit) and had operating cash outflows of \$1,484,187 (2020: \$1,022,719 inflows). As at 30 September 2021 the Group had net tangible assets of \$933,080 (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,
- The Group has acquired 100% of Icon Esports Pty Ltd a leading Australia & New Zealand esports and gaming organisation. The acquisition was completed in two tranches of 50% each. Tranche 1 was completed effective 1 February 2021 and tranche 2 was completed subsequent to the end of this reporting period effective 22 October 2021; and
- On 19 November 2021 the Group completed a non-brokered private placement raising CAD\$933,031 (A\$ 995,233) before placement costs. 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.

SQID Technologies Limited
Notes to the financial statements
30 September 2021

Note 3. 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.

Operating segment information

| | Payment Solutions | Esports and Gaming | Corporate asset management | Total |
|--|----------------------|-----------------------|----------------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Consolidated - 9 months ended 30 Sep 2021 | | | | |
| Revenue | | | | |
| Revenue from contracts with customers | 237,973 | 491,478 | - | 729,481 |
| Government assistance (COVID-19) | 12,000 | - | - | 12,000 |
| Fair value losses on financial assets | - | - | (171,800) | (171,800) |
| Interest revenue | 59 | - | - | 59 |
| Total revenue | <u>250,032</u> | <u>491,478</u> | <u>(171,800)</u> | <u>569,740</u> |
| EBITDA | (597,552) | (576,045) | (529,766) | (1,703,245) |
| Depreciation and amortisation | - | (335,013) | - | (335,013) |
| Loss before income tax expense | <u>(597,552)</u> | <u>(911,058)</u> | <u>(529,766)</u> | <u>(2,038,376)</u> |
| Income tax expense | | | | (121,442) |
| Loss after income tax expense | | | | <u>(2,159,818)</u> |
| Assets | | | | |
| Segment assets | 938,181 | 2,610,603 | 65,803 | 3,614,587 |
| Total assets | | | | <u>3,614,587</u> |
| Liabilities | | | | |
| Segment liabilities | 1,096,069 | 522,965 | 96,182 | 1,715,216 |
| Total liabilities | | | | <u>1,715,216</u> |

SQID Technologies Limited
Notes to the financial statements
30 September 2021

Note 3. Operating segments (continued)

| | Payment Solutions \$ | Esports and Gaming \$ | Corporate asset management \$ | Total \$ |
|--|----------------------------|-----------------------------|--|------------------|
| Consolidated - 9 months ended 30 Sep 2020 | | | | |
| Revenue | | | | |
| Revenue from contracts with customers | 5,985,112 | - | - | 5,985,112 |
| Interest revenue | 22,343 | - | - | 22,343 |
| Total revenue | 6,007,455 | - | - | 6,007,455 |
| EBITDA | | | | |
| Depreciation and amortisation | 1,284,767 | - | (656,366) | 628,401 |
| Interest revenue | (39,553) | - | (5,707) | (45,260) |
| | (22,343) | - | - | (22,343) |
| Profit/(loss) before income tax expense | 1,222,871 | - | (662,073) | 560,798 |
| Income tax expense | | | | (137,340) |
| Profit after income tax expense | | | | 423,458 |
| Consolidated - 31 Dec 2020 | | | | |
| 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 |

Note 4. Revenue from contracts with customers

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

| | Consolidated | |
|--|--|--|
| | 9 months ended 30 Sep 2021 \$ | 9 months ended 30 Sep 2020 \$ |
| Transaction fees | 199,034 | 5,836,547 |
| Chargeback fees | 6,965 | 148,565 |
| Commission | 32,004 | - |
| <i>Total payment solutions revenue recognised at a point in time</i> | <u>238,003</u> | <u>5,985,112</u> |
| Sponsorships (<i>transferred over time</i>) | 372,117 | - |
| Merchandise (<i>recognised at a point in time</i>) | 46,391 | - |
| Other (<i>including prize money recognised at a point in time</i>) | 72,970 | - |
| <i>Total esports and gaming revenue</i> | <u>491,478</u> | <u>-</u> |
| | <u>729,481</u> | <u>5,985,112</u> |

SQID Technologies Limited
Notes to the financial statements
30 September 2021

Note 5. Cash and cash equivalents

| | Consolidated | |
|---|---------------------|--------------------|
| | 30 Sep 2021 | 31 Dec 2020 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Cash at bank and on hand | <u>2,017,549</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>1,089,061</u> | <u>1,083,082</u> |
| | <u>1,089,061</u> | <u>1,117,515</u> |

Note 6. Receivables

| | Consolidated | |
|---|---------------------|--------------------|
| | 30 Sep 2021 | 31 Dec 2020 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Receivables from contracts with customers | 288,952 | 155,507 |
| Other receivables | <u>57,112</u> | <u>129,976</u> |
| | <u>346,064</u> | <u>285,483</u> |

Note 7. Other financial assets

| | Consolidated | |
|---------------------------|---------------------|--------------------|
| | 30 Sep 2021 | 31 Dec 2020 |
| <i>Non-current assets</i> | | |
| Unlisted securities | - | <u>45,238</u> |

Refer to note 13 '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 | <u>336,893</u> | <u>(508,693)</u> | <u>(171,800)</u> |
| | - | 45,238 | 45,238 |
| Consolidated - 2020 | | | |
| Additions | 240,000 | 402,859 | 642,859 |
| Fair value gains / (losses) through profit or loss | <u>114,000</u> | <u>151,072</u> | <u>265,072</u> |
| | <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:

SQID Technologies Limited
Notes to the financial statements
30 September 2021

Note 7. Other financial assets (continued)

- * 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 8. Intangibles

| | Consolidated | |
|--|---------------------|--------------------|
| | 30 Sep 2021 | 31 Dec 2020 |
| | \$ | \$ |
| <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 | (335,013) | - |
| | <u>226,717</u> | <u>-</u> |
| | <u>966,291</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 14 '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 expense * | 30 Sep 2021 |
| <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 financial statements
30 September 2021

Note 10. Trade and other payables

| | Consolidated | |
|-------------------------------------|---------------------|--------------------|
| | 30 Sep 2021 | 31 Dec 2020 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 133,685 | 93,018 |
| Merchant floats | - | 34,433 |
| Accrued transaction processing fees | 1,598 | 30,491 |
| Other payables | 222,653 | 55,583 |
| | <u>357,936</u> | <u>213,525</u> |

Note 11. Merchant liabilities

| | Consolidated | |
|----------------------------|---------------------|--------------------|
| | 30 Sep 2021 | 31 Dec 2020 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Merchant bonds | <u>1,089,061</u> | <u>1,093,082</u> |

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

Note 12. Issued capital

| | Consolidated | | | |
|------------------------------|---------------------|--------------------|--------------------|--------------------|
| | 30 Sep 2021 | 31 Dec 2020 | 30 Sep 2021 | 31 Dec 2020 |
| | 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.

Note 13. 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 Sep 2021 | 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 | <u>-</u> | <u>-</u> | <u>45,238</u> | <u>45,238</u> |

Note 13. Fair value measurement (continued)

| Consolidated - 31 Dec 2020 | 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 | <u>354,000</u> | <u>-</u> | <u>553,931</u> | <u>907,931</u> |

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.

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 14. 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 3 'Operating segments' for details of the acquiree's contribution to Group revenue and results since acquisition.

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Note 14. Business combinations (continued)

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 15. 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 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|--|---|---------------------------|--------------------|
| | | 30 Sep 2021 | 31 Dec 2020 |
| | | % | % |
| 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 (deregistered 13 October 2021) | New Zealand | 100% | 100% |
| ICON Esports Pty Ltd (<i>and wholly owned subsidiaries</i> <i>**</i>) | Australia | 50% | 50% |
| **Tainted Minds E-Sports Pty Ltd | Australia | - | - |
| **The Chiefs Esports Pty Ltd | Australia | - | - |
| ** Team Icon Pty Ltd (incorporated 9 April 2021) | Australia | - | - |

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Note 16. Earnings per share

| | Consolidated | Consolidated |
|---|---------------------|---------------------|
| | 9 months | 9 months |
| | ended 30 | ended 30 |
| | Sep 2021 | Sep 2020 |
| | \$ | \$ |
| Profit/(loss) after income tax | (2,159,818) | 423,458 |
| Non-controlling interest | 287,972 | - |
| Profit/(loss) after income tax attributable to the owners of SQID Technologies Limited | <u>(1,871,846)</u> | <u>423,458</u> |
| | Cents | Cents |
| Basic earnings per share for profit/(loss) | (23.48) | 5.35 |
| Diluted earnings per share for profit/(loss) | (23.48) | 5.35 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>7,973,456</u> | <u>7,920,355</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>7,973,456</u> | <u>7,920,355</u> |

Note 17. Events after the reporting period

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

On 22 October, 2021 the Group announced that it had entered into a share purchase agreement (the "Share Purchase Agreement") with ICON Esports Pty Ltd. ("ICON") and the shareholders of ICON (the "ICON Shareholders"), pursuant to which SQID will acquire 2,150,000 ordinary shares in the capital of ICON (the "ICON Shares") from the ICON Shareholders, equal to the remaining 50% of ICON, causing ICON to become a wholly-owned subsidiary of SQID (the "Acquisition").

Pursuant to the Share Purchase Agreement, SQID issued 3,333,333 ordinary shares ("SQID Shares") to the ICON Shareholders, on a pro rata basis, at a deemed price of CAD \$0.30 per SQID Share for a total Acquisition value of CAD \$999,999.90. The arm's length transaction was negotiated between SQID and ICON and the deemed price matches the price applicable to the Private Placement announced on 6 October 2021 and completed 19 November 2021. All SQID Shares issued pursuant to the Acquisition are subject to a statutory hold period of four months from the date of issuance.

On 19 November 2021 the Group announced that it had completed a non-brokered private placement offering of 3,110,088 units of SQID ("Units") at a price of \$0.30 per Unit for gross proceeds of CDN\$933,011 (the "Private Placement"). The Private Placement opened October 6, 2021, and Finder's fees and Commissions totalled CDN\$74,641. Each Unit comprises of one ordinary share ("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 \$0.45. All SQID Shares issued pursuant to the Private Placement are subject to a statutory hold period of four months from the date of issuance.

As at 24 November 2021, after repayments of merchant bonds held by the payments business the Groups net merchant liabilities were \$17,161.

No other matter or circumstance has arisen since 30 September 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.