Unaudited Condensed Consolidated Interim Financial Statements of

EQ INC.

(Formerly Cyberplex Inc.)

Three and nine months ended September 30, 2013 and 2012

Notice of disclosure of non-auditor review of unaudited condensed consolidated interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2013 and 2012 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these unaudited condensed consolidated interim financial statements.

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)

September 30, 2013 and December 31, 2012

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 3,460	$ 5,419
Accounts receivable	1,437	2,425
Other current assets	282	303
Income tax recoverable	–	40
	5,179	8,187
Non-current assets:		
Investment	50	50
Property and equipment (note 9)	328	460
Domain properties and other intangible assets (note 10(a))	2,171	2,889
Goodwill (note 10(b))	369	357
	2,918	3,756
Total assets	$ 8,097	$ 11,943
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,038	$ 2,703
Deferred lease inducement	24	41
Finance leases	140	155
Deferred revenue	536	549
	2,738	3,448
Non-current liabilities:		
Finance leases	87	186
Deferred lease inducement	–	14
Deferred tax liabilities (note 7)	45	244
	132	444
Shareholders' equity (note 12)	5,227	8,051
Total liabilities and shareholders' equity	$ 8,097	$ 11,943

See accompanying notes to unaudited condensed consolidated interim financial statements.

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2013 and 2012

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
				(Recast- note 2)
Revenue (note 3)	$ 1,906	$ 3,508	$ 5,452	$ 10,930
Expenses:				
Publishing and advertising costs	1,018	1,939	2,890	6,276
Employee compensation and benefits	856	1,237	2,750	3,996
Other operating expenses	592	701	1,941	2,536
Depreciation of property and equipment	64	62	209	213
Amortization of domain properties and other intangible assets	293	285	862	839
	2,823	4,224	8,652	13,860
Loss from operations	(917)	(716)	(3,200)	(2,930)
Finance income (note 6)	81	220	26	54
Finance cost (note 6)	(6)	(10)	(163)	(63)
	75	210	(137)	(9)
Loss before income taxes	(842)	(506)	(3,337)	(2,939)
Income taxes expense (recovery) (note 7):				
Current	(2)	70	(2)	18
Deferred	(65)	(54)	(195)	(163)
Loss for the period from continuing operations	(775)	(522)	(3,140)	(2,794)
Discontinued operation:				
Income for the period from discontinued operation, net of tax of nil (note 5)	–	–	–	5,129
Income (loss) for the period	(775)	(522)	(3,140)	2,335
Other comprehensive Income (loss):				
Items that may subsequently be reclassified to income:				
Foreign currency translation adjustments to equity, net of tax	(124)	(327)	271	(167)
Total comprehensive income (loss) for the period	$ (899)	$ (849)	$ (2,869)	$ 2,168
Income (loss) per share (note 8):				
Basic and diluted	$ (0.05)	$ (0.03)	$ (0.20)	$ 0.15
Loss per share from continuing operations (note 8):				
Basic and diluted	(0.05)	(0.03)	(0.20)	(0.18)

See accompanying notes to unaudited condensed consolidated interim financial statements.

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars)

Nine months ended September 30, 2013 and 2012

Nine months ended September 30, 2013	Common shares Number of shares	Common shares Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balances, January 1, 2013	126,858,304	$ 66,278	$ 2,338	$ (2,458)	$ (58,107)	$ 8,051
Loss for the period	–	–	–	–	(3,140)	(3,140)
Share-based payments (note 13)	–	–	45	–	–	45
Share consolidation (note 8)	(111,001,017)	–	–	–	–	–
Foreign currency translation adjustments to equity	–	–	–	271	–	271
Balances, September 30, 2013	15,857,287	$ 66,278	$ 2,383	$ (2,187)	$ (61,247)	$ 5,227

Nine months ended September 30, 2012	Common shares Number of shares	Common shares Amount	Contributed surplus	Accumulated other comprehensive (loss)	Deficit	Total equity
Balances, January 1, 2012	133,839,896	$ 65,452	$ 2,278	$ (2,389)	$ (59,669)	$ 5,672
Income for the period	–	–	–	–	2,335	2,335
Share-based payments (note 13)	–	–	39	–	–	39
Transfer of share purchase loans	–	1,185	–	–	–	1,185
Cancellation of common shares	(6,314,545)	(324)	–	–	–	(324)
Repurchase and cancellation of common shares	(547,047)	(29)	–	–	–	(29)
Foreign currency translation adjustments to equity	–	–	–	(167)	–	(167)
Balances, September 30, 2012	126,978,304	$ 66,284	$ 2,317	$ (2,556)	$ (57,334)	$ 8,711

See accompanying notes to unaudited condensed consolidated interim financial statements.

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)

Nine months ended September 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		(Recast-note 2)
Income (loss) for the period	$ (3,140)	$ 2,335
Adjustments to reconcile net loss to net cash flows		
from operating activities:		
Depreciation of property and equipment	209	481
Amortization of domain properties and other intangible assets	862	3,012
Amortization of deferred lease inducement	(31)	(56)
Share-based payment (note 13)	45	39
Foreign exchange loss	153	83
Finance cost, net	145	496
Deferred and current income tax recovery	(197)	(164)
Restructuring cost	–	221
Gain on sale of Tsavo (note 5)	–	(7,402)
Change in non-cash operating working capital (note 14)	307	(3,540)
Cash used in operating activities	(1,647)	(4,495)
Income taxes received (paid)	40	(57)
Net cash used in operating activities	(1,607)	(4,552)
Cash flows from financing activities:		
Repurchase of common shares under NCIB (note 12)	–	(29)
Repayment of finance leases	(114)	(53)
Interest paid	(21)	(272)
Net cash used in financing activities	(135)	(354)
Cash flows from investing activities:		
Purchase of long-term investment	–	(50)
Interest income received	26	34
Net proceeds from sale of available-for-sale investments	–	200
Decrease in restricted cash and short-term investments	–	201
Proceeds on sale of Tsavo, net of cash disposed (note 5)	–	6,293
Additions to domain properties and other intangible assets	(25)	(153)
Additions to property and equipment	(65)	(228)
Net cash from (used in) investing activities	(64)	6,297
Foreign exchange loss on cash held in a foreign currency	(153)	(83)
Increase (decrease) in cash and cash equivalents	(1,959)	1,308
Cash and cash equivalents, beginning of period	5,419	4,050
Cash and cash equivalents, end of period	$ 3,460	$ 5,358

See accompanying notes to unaudited condensed consolidated interim financial statements.

1. Corporate information:

EQ Inc. (the "Company"), is a North American leader in data and analytics platforms for targeting mobile, social and online audiences and customer acquisition strategies. The Company uses advertising technology and marketing expertise to connect advertisers to their targeted audiences through online, mobile, and social media channels. The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 1255 Bay Street, Suite 400, Toronto, ON M5R 2A9. The Company is a publicly listed company on the Toronto Stock Exchange ("TSX").

On June 13, 2013, the Company changed its name which was previously “Cyberplex Inc.” to “EQ Inc.” The trading of the Company’s common shares continued on the Toronto Stock Exchange under the new symbol “EQ”, with the predecessor symbol being “CX.”

2. Basis of preparation:

(a) Statement of compliance and basis of presentation:

These unaudited condensed consolidated interim financial statements (the "interim financial statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2012 (the "2012 financial statements"). The accounting policies applied in these interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of the date the Board of Directors authorized the statements for issue.

The notes presented in these interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim financial statements should be read in conjunction with the 2012 financial statements, including the notes thereto.

The interim financial statements were authorized for issue by the Board of Directors on November 7, 2013.

(In thousands of Canadian dollars, except per share amounts)

2. Basis of preparation (continued):

These interim financial statements have been prepared mainly on a historical cost basis. Other measurement bases used are described in the applicable notes to these interim financial statements.

On April 24, 2012, the Company disposed of a material portion of its business (Tsavo) (note 5). The results of operations from this division have been presented and reclassified as discontinued operations in the unaudited condensed consolidated interim statements of comprehensive income (loss) for the three and nine months ended September 30, 2013 and 2012. Note disclosures included in these interim financial statements relating to components of comprehensive income (loss) exclude balances from discontinued operation except where noted.

On June 13, 2013, the Company announced the consolidation of all of the outstanding common shares of the Company. The common shares were consolidated on the basis of one new common share for eight existing common shares. Following the common share consolidation, the number of outstanding common shares of the Company was approximately 15,857,287. Accordingly, income/ loss per share have been determined on a basis that is consistent with the effect of the share consolidation for all periods presented.

Recast of prior period financial information

Net income for the nine months ended September 30, 2012 has been adjusted to correct for an error. The error was related to the forgiveness of intercompany payables as part of the Tsavo disposition. The correction resulted in an increase of $1,053 in the gain on sale of Tsavo previously recorded and a similar increase in the net income for the period. Accordingly, the unaudited condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the nine months ended September 30, 2012 have been adjusted for this correction.

	Previously Reported	Recast
Gain on the sale of discontinued operation		
Nine months ended September 30, 2012	$6,349	$7,402
Net Income		
Nine months ended September 30, 2012	$1,282	$2,335
Basic and diluted income per share – nine months ended September 30, 2012	$0.08	$0.15

2. Basis of preparation (continued):

(b) Functional and presentation currencies:

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars. The Company's functional currency is the U.S. dollar. The Company has elected its presentation currency to be the Canadian dollar as it is listed on the TSX and its shareholders are primarily Canadian.

(c) Common shares consolidation:

On June 13, 2013, the Company announced the consolidation of all of the outstanding common shares of the Company. The common shares were consolidated on the basis of one new common share for eight existing common shares. Following the common share consolidation, the number of outstanding common shares of the Company was approximately 15,857,287. Accordingly, income/ loss per share have been determined on a basis that is consistent with the effect of the share consolidation for all periods presented. Subsequent to the share consolidation on June 19, 2013, the Company also began trading on the Toronto Stock Exchange under the new symbol “EQ” due to the name change.

(d) Significant accounting policies:

These interim financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2012, with the exception of the following new accounting standards and amendments which the Company adopted and are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013.

- *IFRS 10, Consolidated Financial Statements*
- *IFRS 11, Joint Arrangements*
- *IFRS 12, Disclosure of Interest in Other Entities*
- *IFRS 13, Fair Value Measurement*
- *Amendments to IAS 1, Presentation of Financial Statements*

The accounting standards and amendments to standards adopted by the Company that had an impact on financial results or require further explanation are explained as follows:

2. Basis of preparation (continued):

IFRS 10, Consolidated Financial Statements

As a result of the adoption of IFRS 10, the Company has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Company controls the investee on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, the Company re-assessed the control conclusion for its investees at January 1, 2013. The Company made no changes as a result of this process in the current or comparative period.

IFRS 11, Joint Arrangements

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and

are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

The Company adopted IFRS 11 for the annual period beginning on January 1, 2013. IFRS 11 did not have a material impact on the interim financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

2. Basis of preparation (continued):

The Company adopted IFRS 12 for the annual period beginning on January 1, 2013. The amendments did not have a material impact on the interim financial statements.

IFRS 13, Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as 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, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other.

The Company adopted IFRS 13 prospectively in its interim and annual financial statements beginning on January 1, 2013. IFRS 13 did not have a material impact on the interim financial statements other than the inclusion of certain fair value disclosures which were previously applicable to annual financial statements only.

Amendments to IAS 1, Presentation of Financial Statements

The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.

The Company adopted the amendments in its interim and annual financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the new standard did not have a material impact on the interim financial statements.

(In thousands of Canadian dollars, except per share amounts)

3. Revenue:

The Company sub-classifies revenue into the following components: advertising and professional services revenue.

Advertising revenue is derived from the on-line network connecting advertisers and publishers to execute advertising. Professional services revenue is derived from consulting services which specialize developing and driving on-line business and advertising strategies for our clients.

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Advertising	$ 1,430	$ 2,741	$ 3,774	$ 8,341
Professional Services	476	767	1,678	2,589
	$ 1,906	$ 3,508	$ 5,452	$ 10,930

4. Segment information:

The Company has one operating segment EQ (formerly EQ Advertising and CX Interactive, which were separate operating segments). Both operating segments have been closely integrated and aligned to targeted advertising which incorporates the most sophisticated advertising technologies, data analytics and programmatic buying capabilities onto a single system. The chief operating decision makers evaluate performance, make operating decisions, and allocate resources based on financial data consistent with the presentation in these interim financial statements.

The Company's assets and operations are substantially all located in Canada; however, the Company services many customers in the United States and internationally.

The Company generates revenue across three geographical regions, revenue by region is as follows:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Canada	$ 924	$ 1,578	$ 2,551	$ 4,045
U.S.	966	1,823	2,804	6,412
Outside North America	16	107	97	473
	$ 1,906	$ 3,508	$ 5,452	$ 10,930

(In thousands of Canadian dollars, except per share amounts)

4. Segment information (continued):

For the three months ended September 30, 2013, there were three clients that comprised of 22%,18% and 10% of the Company's total revenue (from continuing operations) and three clients comprised of 23%, 13% and 11% of the Company's total revenue for the same period in 2012. For the nine months ended September 30, 2013, there were two clients that comprised of 20% and 14% of the Company's total revenue (from continuing operations). For the same period in 2012, three clients made up 11%, 10% and 10% of the total revenue.

5. Discontinued operation:

On April 24, 2012, the Company reached an agreement to sell 100% of the shares of its subsidiary Orion Foundry (Canada) Inc. ("Tsavo") in a transaction valued at approximately $33,000. The Company received cash proceeds of $7,220, with additional defined payments totalling $100 was received following closing. The purchaser of Tsavo assumed the term loans owing to American Capital (successor by merger to America Capital Financial Services Inc.) of $24,338 as well as $530 of additional term loans owing by the Company. The Company also received certain domain properties and content related intangible assets valued at $150. As part of the transaction, 6,314,545 (789,318 common shares on a post-consolidated basis) common shares of the Company, which were held by current and former management of Tsavo, were returned to the Company for no consideration except for the transfer of related share purchase loans receivable of $1,185 to the purchaser. The interim statement of comprehensive income (loss) has been reclassified to show results from discontinued operation separately from the continuing operations.

Cash flows from (used in) discontinued operation:

		2012
Net cash used in operating activities	$	(2,809)
Net cash from investing activities		42
Net cash used in financing activities		(234)
Net cash used in discontinued operation	$	(3,001)

(In thousands of Canadian dollars, except per share amounts)

5. Discontinued operation (continued):

Results of the discontinued operation for the nine months ended September 30, 2012 are as follows:

		Nine months ended September 30, 2012
Revenue	$	16,355
Expenses:		
Publishing and advertising costs		11,970
Employee compensation and benefits		2,007
Other operating expenses		1,461
Depreciation of property and equipment		267
Amortization of domain properties and other intangible assets		2,173
Restructuring costs		221
		18,099
Loss from operations		(1,744)
Finance income		22
Finance cost		(690)
Loss before income taxes		(2,412)
Current income tax recovery		139
Loss for the period, net of income tax		(2,273)
Gain on sale of discontinued operation (net of tax of nil)		7,402
Income for the period	$	5,129
Income per share:		
Basic and diluted	$	0.32

(In thousands of Canadian dollars, except per share amounts)

6. Finance income and finance cost:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Finance income:				
Interest income on cash and cash equivalents and restricted cash	$ 5	$ 17	$ 26	$ 34
Foreign exchange gain, net and Other	76	203	–	20
Total finance income	81	220	26	54
Finance cost:				
Other interest expense	(6)	(10)	(21)	(63)
Foreign exchange loss, net	–	–	(142)	–
Total finance cost	(6)	(10)	(163)	(63)
Net finance cost (income) recognized in profit or loss	$ 75	$ 210	$ (137)	$ (9)

7. Income taxes:

The Company recorded a deferred income tax recovery of $65 and $195 in the three and nine months ended September 30, 2013 as compared to a deferred income tax recovery of $54 and $163 for the same periods in 2012. The deferred income tax recoveries relates to the reversal of a temporary difference on account of amortization of intangible assets recognized in respect of historical acquisitions and the related deferred tax liability that was recorded at that time. The deferred tax liability is drawn down as that portion of the intangible asset value is amortized. No other deferred tax recovery on losses is recorded in loss and comprehensive loss and will not be until, in the opinion of management, it is probable that the deferred tax assets will be realized.

(In thousands of Canadian dollars, except per share amounts)

8. Income (loss) per share:

On June 13, 2013, the Company announced the consolidation of all the outstanding common shares of the Company. The common shares were consolidated on the basis of one new common share for eight existing common shares. Following the common share consolidation, the number of outstanding common shares of the Company was 15,857,287. Subsequent to the share consolidation on June 19, 2013, the Company also began trading on the Toronto Stock Exchange under the new symbol “EQ” due to the name change (note 1).

The computations for basic and diluted income (loss) per share for the three and nine months ended September 30, 2013 and 2012 are as follows:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Income (loss) for the period	$ (775)	$ (522)	$ (3,140)	$ 2,335
Loss for the period from continuing operations	(775)	(522)	(3,140)	(2,794)
Weighted average number of shares outstanding:				
Basic	15,857,287	15,916,438	15,857,287	15,916,438
Diluted	15,857,287	15,916,438	15,857,287	15,916,438
Income (loss) per share:				
Basic and diluted	$ (0.05)	$ (0.03)	$ (0.20)	$ 0.15
Loss per share from continuing operations:				
Basic and diluted	(0.05)	(0.03)	(0.20)	(0.18)

The total number of anti-dilutive options that were excluded from the calculation of diluted loss per share, because their inclusion would have been anti-dilutive for the three and nine months ended September 30, 2013, were 1,030,626 (2012 – 1,071,604).

(In thousands of Canadian dollars, except per share amounts)

9. Property and equipment:

	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost				
Balance at January 1, 2013	$ 545	$ 2,595	$ 262	$ 3,402
Additions	7	58	–	65
Disposals	(4)	–	–	(4)
Effect of movements in exchange rates	55	166	20	241
Balance at September 30, 2013	$ 603	$ 2,819	$ 282	$ 3,704
Depreciation				
Balance at January 1, 2013	$ 539	$ 2,143	$ 260	$ 2,942
Depreciation for the period	1	206	2	209
Disposal	(1)	–	–	(1)
Effect of movements in exchange rates	57	149	20	226
Balance at September 30, 2013	$ 596	$ 2,498	$ 282	$ 3,376
Carrying amounts				
At December 31, 2012	6	452	2	460
At September 30, 2013	7	321	–	328

(In thousands of Canadian dollars, except per share amounts)

10. Domain properties and other intangible assets:

(a) Domain properties and other intangible assets by category are as follows:

	Customer relationships	Technology	Domain and content	Computer software	Total
Cost					
Balance at January 1, 2013	$ 17,994	$ 9,712	$ 7,719	$ 1,057	$ 36,482
Additions	–	–	–	51	51
Disposals	–	–	–	–	–
Effect of movements in exchange rates	18	114	40	30	202
Balance at September 30, 2013	$ 18,012	$ 9,826	$ 7,759	$ 1,138	$ 36,735
Amortization					
Balance at January 1, 2013	$ 17,669	$ 8,052	$ 6,820	$ 1,052	$ 33,593
Amortization for the period	84	642	129	7	862
Disposals	–	–	–	–	–
Effect of movements in exchange rates	7	61	11	30	109
Balance at September 30, 2013	$ 17,760	$ 8,755	$ 6,960	$ 1,089	$ 34,564
Carrying amounts					
At December 31, 2012	325	1,660	899	5	2,889
At September 30, 2013	252	1,071	799	49	2,171

(b) Goodwill:

.	Total
Balance at January 1, 2013	$ 357
Effect of movements in exchange rates	12
Balance at September 30, 2013	$ 369

11. Bank credit facilities:

The Company has a revolving demand facility and credit card facility with a Canadian chartered bank, to be used for general operating requirements. As at September 30, 2013, nil amounts were outstanding under the revolving demand facility and there was $72 outstanding under the business credit card facility (2012 - $100) which is included in accounts payable. The aggregate of available borrowings under all facilities described below cannot exceed $1,000 at any time.

The revolving demand facility is up to $850 by way of Canadian and U.S. dollar currency loans. The facility bears interest at the bank's prime rate plus 2.35%. Borrowings outstanding under this facility plus a $150 business credit card allocation must not exceed 75% of accounts receivable with an aging less than 90 days, as defined in the new credit agreement. The Company renegotiated the revolving demand facility with the lender and under the amended credit agreement the Company is required to maintain certain financial and non-financial covenants and are secured by a general security interest in the Company assets. As of September 30, 2013 the Company was in compliance with the renegotiated financial and non-financial covenants. The Company did not draw against the line of credit as of September 30, 2013.

12. Shareholders' equity:

(a) Common shares:

The authorized share capital of the Company comprises an unlimited number of common shares without par value. The holders of common shares are entitled to receive dividends when declared and are entitled to one vote per share at annual meetings of the Company.

(b) Normal Course Issuer Bid ("NCIB"):

On April 24, 2012, the Company announced a NCIB under which it could purchase up to 11,913,232 (1,489,154 common shares on a post-consolidated basis) of its common shares, representing approximately 10% of the "public float" of common shares as of that date, commencing on May 14, 2012 for a period of one year. During the three and nine months ended September 30, 2013, the Company did not repurchase and cancel any shares under the NCIB. During the year ended December 31, 2012, 667,047 (83,380 common shares on a post-consolidated basis) common shares were repurchased and cancelled. The cost of $35 was recorded in common stock for the consideration paid for the common shares in 2012. The NCIB expired on May 13, 2013.

(In thousands of Canadian dollars, except per share amounts)

12. Shareholders' equity (continued):

On November 14, 2012, the Company instituted an Automatic Share Purchase Plan in connection with the NCIB, whereby M Partners Inc., as broker, is authorized and directed to effect stock purchases during the term of the NCIB subject to the price limits, maximum number of shares and other terms set forth in the Automatic Share Purchase Plan, all as approved by the TSX. The automatic share purchase plan expired as of May 13, 2013.

13. Share-based payments:

The following table summarizes the continuity of options issued under the Company’s stock option plan for the nine months ended:

	September 30, 2013		September 30, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,109,104	$ 2.08	816,512	$ 4.88
Granted	–	–	756,250	0.80
Forfeited or cancelled	(78,478)	5.21	(501,158)	4.56
Exercised	–	–	–	–
Outstanding, end of period	1,030,626	1.95	1,071,604	2.16
Options exercisable, end of period	358,750	$ 3.81	253,896	$ 5.44

A summary of the status of the Company's options under the Plan is as follows:

	September 30, 2013			September 30, 2012		
Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
$0.80	787,500	3.75	122,915	756,250	4.75	–
$2.72	18,750	0.25	18,750	18,750	1.25	18,750
$4.32-$4.72	68,748	1.64	61,457	97,917	2.23	67,708
$6.08	155,628	0.48	155,628	155,625	1.48	124,375
$6.40	–	–	–	43,062	0.49	43,063
	1,030,626		358,750	1,171,604		253,896

(In thousands of Canadian dollars, except per share amounts)

13. Share-based payments (continued):

During the three months ended September 30, 2013, the Company recorded share-based compensation expense related to stock options granted to employees of $10 (2012 – $37). During the nine months ended September 30, 2013, the Company recorded a share-based compensation expense of $45 (2012 – $39)

During the three months and nine months ended September 30, 2013 no stock options were granted and no stock options were exercised. During nine months ended September 30, 2012, the Company granted 6,050,000 (756,250 stock options on a post-consolidated basis) stock options. A portion of these 4,850,000 (606,250 stock options on a post-consolidated basis) stock options were issued to executives. The terms of these options provide for accelerating vesting if the Company's shares achieve a stated price on the TSX. This price was not obtained as at September 30, 2013.

14. Consolidated statements of cash flows:

The change in non-cash operating working capital comprises the following:

	Nine months ended September 30, 2013	2012
Change in non-cash operating working capital:		
Accounts receivable	$ 966	$ (1,720)
Other current assets	(16)	209
Accounts payable and accrued liabilities	(625)	(1,795)
Deferred revenue	(18)	(57)
Taxes payable	-	(177)
	$ 307	$ (3,540)

15. Capital risk management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity, which comprises issued capital, contributed surplus, AOCI and deficit. The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

16. Fair value of financial instruments:

Financial instruments classified as fair value through profit or loss or available-for-sale are carried at fair value on the consolidated statements of financial position. Changes in fair values of financial instruments classified as fair value through profit or loss and available-for-sale are recognized in net income and other comprehensive income, respectively.

Fair value measurements:

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3 - inputs are not based on observable market data.

In the tables below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date. The Company has no financial liabilities measured at fair value.

(In thousands of Canadian dollars, except per share amounts)

16. Fair value of financial instruments (continued):

Financial assets measured at fair value as at September 30, 2013 and December 31, 2012 in the consolidated financial statements are summarized below.

September 30, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	$ 3,460	$ –	$ –	$ 3,460
Available-for-sale equity securities (i)	–	–	50	50
	$ 3,460	$ –	$ 50	$ 3,510

December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	$ 5,419	$ –	$ –	$ 5,419
Available-for-sale equity securities (i)	–	–	50	50
	$ 5,419	$ –	$ 50	$ 5,469

There have been no transfers of assets between levels between July 1 and September 30, 2013.

(i) The Company initially measured the available-for-sale equity investment purchased in Q3 2012 based on the cash exchanged between the parties. The investment is being accounted for at fair value. No significant change in fair value was determined through September 30, 2013.

17. Financial risk management:

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee reviews the Company's risk management policies on an annual basis. The finance department identifies and evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

Customer concentration risk is the risk of financial loss to the Company due to reliance on one or a small number of customers for significant portions of its total revenues. If a customer that

17. Financial risk management (continued):

represents a significant portion of revenues reduces its activity or ceases to transact with the Company, there could be a material negative impact on the Company's financial stability. For the three months ended September 30, 2013, three clients comprised of 22%,18% and 10% of the Company's total revenue (from continuing operations) and three clients comprised of 23%, 13% and 11% of the Company's total revenue for the same period in 2012. For the nine months ended September 30, 2013, two clients comprised of 20% and 14% of the Company's total revenue (from continuing operations). For the same period in 2012, three clients made up 11%, 10% and 10% of the total revenue.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable and cash and cash equivalents. The majority of the Company's customers are located in the United States and Canada. At September 30, 2013, four customers represented 16%, 15%, 15% and 10% of the accounts receivable balance of $1,437, respectively. At December 31, 2012, three customers represented 22%, 13% and 11% of the accounts receivable balance of $2,425. The accounts receivable balances due from the significant customers were current at September 30, 2013.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for principal and interest payments on its debt, capital expenditures and working capital needs. The Company uses its operating cash flows, operating facilities and cash balances to maintain liquidity.

17. Financial risk management (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the Company's share price, will affect the Company's income or the value of its financial instruments.

(i) Interest rate risk:

Interest rate risk is insignificant on the Company's cash and cash equivalents due to the short-term maturity of the investments held.

(ii) Currency risk:

The Company operates internationally with the U.S. dollar as its functional currency and is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in Canadian dollars. In addition, the Company is exposed to exchange gains or losses on translation from its U.S. dollar functional currency to its Canadian dollar presentation currency. The Company's main objective in managing its foreign exchange risk is to maintain Canadian cash on hand to support Canadian forecasted obligations and cash flows. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash and cash equivalents held. The Company also utilizes foreign currency derivative instruments to hedge against currency fluctuations. During the nine months ended September 30, 2013, the Company maintained a portion of its cash resources in both U.S. and Canadian dollar cash and cash equivalents. The Company does not have any foreign currency derivative instruments outstanding as of September 30, 2013.

EQ INC.
(Formerly Cyberplex Inc.)

Management's Discussion and Analysis
For the three and nine months ended September 30, 2013

November 7, 2013

EQ Inc.
1255 Bay Street, Suite 400
Toronto, ON M5R 2A9
Tel: (416) 597-8889

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

The following discussion and analysis of the financial condition and results of EQ Inc. (also referred to as "we", "us", "our", or the "Company"), prepared as of November 7, 2013, has been reviewed and approved by the Company's Board of Directors, on the recommendation of its Audit Committee, prior to filing and should be read in conjunction with the Company's Unaudited Condensed Consolidated Interim Financial Statements (and related notes) for the three and nine months ended September 30, 2013 which have been prepared on the basis of International Financial Reporting Standards ("IFRS") for interim financial statements, the 2012 Annual MD&A and with the Company's Audited Consolidated Financial Statements (and related notes) for the years ended December 31, 2012 and 2011 and are reported in Canadian dollars. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.eqworks.com.

Certain statements in this MD&A may constitute forward-looking information, including future-oriented financial information and financial outlooks, within the meaning of applicable securities laws. Forward-looking statements may relate to the Company's future outlook and anticipated events or results and may include statements regarding the Company's future financial position, projected revenue, earnings, growth rates, revenue mix, product plans and objectives. In some cases, forward-looking statements can be identified by terms such as "could", "expect", "may", "will", "anticipate", "believe", "intend", "estimate", "plan", "potential", "project" or other expressions concerning matters that are not historical facts. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause the actual results, performance, achievements or developments of EQ Inc. to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements, by their nature, are based on certain assumptions regarding expected growth, management's current plans, estimates, projections, beliefs, opinions and business prospects and opportunities (collectively, the "Assumptions"). While the Company considers these Assumptions to be reasonable, based on the information currently available, they may prove to be incorrect.

It is important to note that:

- *There is no assurance that any forward-looking statements will materialize.*
- *The results or events predicted herein may differ from actual results or events.*
- *Unless otherwise indicated, forward-looking statements describe expectations as of November 7, 2013.*
- *EQ Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required to do so under applicable securities laws.*

Many risks, uncertainties and other factors could cause the actual results of EQ Inc. to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the following: overall economic conditions, rapid technological changes, *dependence on the internet, concentration of revenues with a small number of customers, demand for our product, the introduction of competing technologies, competitive pressures, network restrictions, fluctuations in foreign currency exchange rates and other similar factors that may cause the actual results, performance or achievements of EQ Inc. to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. Additional information concerning risks and uncertainties affecting EQ Inc.'s business and other factors that could cause financial results to fluctuate is set forth below in "Risks and Uncertainties Affecting our Business", as well as elsewhere herein, and is contained in EQ Inc.'s filings with Canadian securities regulatory authorities, including the Company's most recent Annual Information Form available on SEDAR. Readers are cautioned not to place undue diligence on such statements. We do not intend, and disdain any obligation to update or revise any forward-looking statements at any particular time whether as a result of new information, future events or otherwise unless required to do so under applicable securities laws. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.*

OVERVIEW

EQ Inc. ("EQ") is a North American leader in data and analytics platforms for targeting mobile, social and online audiences and customer acquisition strategies. We use leading advertising technology and our marketing expertise to efficiently connect advertisers to their targeted audiences through online, mobile, and social media channels. By focusing on building targeted, loyal audiences, EQ Inc. delivers measurable results that improve advertiser return on investment ("ROI"). Our customers include leading agencies, advertisers and networks across North America who are looking to better understand their customers and get more value out of advertising and media initiatives.

We provide a smarter way to target customers by using real-time analytics and data-intensive platforms to reach the most relevant mobile, social and web audiences. EQ (formerly EQ Advertising and CX Interactive, which were separate operating segments and have been combined commencing in the fiscal 2013) has targeted advertising which incorporates the most sophisticated advertising technologies, data analytics and programmatic buying capabilities onto a single system. We help brands better understand their customers, execute an effective digital strategy and get more value out of mobile, social and web initiatives.

As online advertising spending continues to grow and greater emphasis is placed on measurable results, the Company's operating model will become even more critical to direct marketers, online retailers and other advertisers focused on online marketing initiatives and customer acquisition strategies. EQ is positioned to grow by meeting the needs of this growing market and providing solutions that deliver the greatest returns for our clients.

Operating Segment

The Company has one operating segment, being EQ (formerly EQ Advertising and CX Interactive, which were separate operating segments). The operations have been closely integrated and aligned to targeted advertising which incorporates the most sophisticated advertising technologies, data analytics and programmatic buying capabilities onto a single system.

EQ delivers industry leading mobile, web, social and video advertising solutions that enable advertisers to target their intended audiences in real-time. EQ is paid by advertisers or their agencies based on a variety of advertising models including display, clicks by consumers, or in some cases actions performed by consumers (which may include qualified leads, registrations, downloads, inquiries or actual sales). These payment models are commonly referred to as "CPM" (cost per thousand impressions), "CPC" (cost per click) and "CPA" (cost per action). For certain campaigns, EQ is also paid based on a percentage of the cost of advertising placements, or "Cost Plus". We also engage in other forms of targeted advertising to provide comprehensive media buying solutions that work together to ensure optimal campaign results, including search engine marketing and optimization and targeted media buys from networks and publishers.

The EQ platform uses a proprietary data-analytics system that develops algorithms to interact with advertising exchanges to bid on and purchase individual advertising impressions that are targeted to a specific individual or audience. Using this platform, we acquire highly targeted internet advertising space from publishers at auction prices on behalf of, or for resale to advertisers directly or through media agencies. Features include brand-safe access to premium video, mobile and web properties; deep audience targeting including over 150 behavioural profiles, re-targeting options, and our proprietary content classification engine; and fully automated media optimization.

In order to optimize targeted advertising, the EQ platform analyze up to 200,000 possible mobile and web advertising placements per second to find the most suitable advertising opportunities for our clients' campaigns. Our capabilities extend beyond web advertising to include mobile ads, social media and embedded video advertisements. Advertising campaigns are constantly monitored and optimized to maximize high performing placements.

EQ continues to improve and innovate with investments in partnerships and technologies that help target and re-target consumers that match a customer's ideal criteria. Whether a customer chooses to target through content matching (keyword match), matching search queries, or behavioural segments, EQ will ensure that a customer's message is delivered to the right person, in the right context, and at the right time. Our goal is to provide the very best real-time bidding online advertising solution for agencies and advertisers.

EQ also provides fully integrated digital marketing solutions. We work with agencies and clients to define, create, and deliver ROI-focused digital strategies. Our skilled team uses its deep marketing and technology expertise to achieve specific client objectives, which is central to our value proposition. Every digital property, mobile or web application or element of functionality that is designed and built by EQ is tied to specific goals and performance objectives. We build the web, mobile and social experiences that allow our clients to achieve true performance.

In order to optimize the performance of a website, portal, or mobile application, the solution needs to be designed properly to provide a rich, value-added experience for the intended audience. The Company approach uses proven methodologies and teams of experts to ensure audiences are engaged and ready to transact. These strategies help clients drive innovation, automation, strategic insights and adoption to get the most out of their digital investments.

Consolidated Financial and Operating Results

See the sections in this MD&A entitled "Critical Accounting Policies and Estimates", "Recent Accounting Pronouncements" and also the accompanying notes to the September 30, 2013

Unaudited Condensed Consolidated Interim Financial Statements and the December 31, 2012 Audited Consolidated Financial Statements for a discussion of critical and new accounting policies and estimates as they relate to the discussion of our operating and financial results below.

The accompanying Unaudited Condensed Consolidated Interim Financial Statements of the Company, for the three months and nine months ended September 30, 2013 and 2012, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

Non-IFRS Measures

We measure the success of our strategies and performance based on Adjusted EBITDA, which is outlined and reconciled with net income (loss) in the section entitled "Reconciliation of Net Loss for the period to Adjusted EBITDA". The Company defines Adjusted EBITDA as net income (loss) from continuing operations before; (a) depreciation of property and equipment and amortization of domain properties and other intangible assets; (b) share-based payments, (c) restructuring and acquisition costs, and (d) impairments of goodwill and intangible assets and other items, net. Management uses Adjusted EBITDA as a measure of the Company's operating performance because it provides information related to the Company's ability to provide operating cash flows for acquisitions, capital expenditures and working capital requirements. The Company also believes that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies in its industry.

The non-IFRS financial measure is used in addition to and in conjunction with results presented in accordance with the Company's Consolidated Financial Statements prepared in accordance with IFRS and should not be relied upon to the exclusion of IFRS financial measures. Management strongly encourages investors to review the Company's Consolidated Financial Statements in their entirety and to not rely on any single financial measure. Because non-IFRS financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar names. In addition, the Company expects to continue to incur expenses similar to the non-IFRS adjustments described above, and exclusion of these items from the Company's non-IFRS measures should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

Recast of prior period financial information

Net income for the nine months ended September 30, 2012 has been adjusted to correct for an error. The error was related to the forgiveness of intercompany payables as part of the Tsavo disposition. The correction of the error resulted in an increase of $1,053 in the gain on sale of Tsavo recorded and a similar increase in the net income for the period. Accordingly, the Unaudited Condensed Consolidated Interim Statements of Comprehensive Income, changes in equity cash flows for the nine months ended September 30, 2012 have been adjusted for this correction.

	Previously Reported	**Recast**
Gain on the sale of discontinued operation		
Nine months ended September 30, 2012	$6,349	$7,402
Net Income		
Nine months ended September 30, 2012	$1,282	$2,335
Earnings per share		
Basic and diluted income per share - Nine months ended September 30, 2012	$0.08	$0.15

Revenue

The Company sub-classifies revenue into the following components: advertising and professional services revenue.

Advertising revenue is derived from the on-line network connecting advertisers and publishers to execute advertising. Professional services revenue is derived from consulting services which specialize in developing and driving on-line business and advertising strategies for our clients.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Advertising	$ 1,430	$ 2,741	$ 3,774	$ 8,341
Professional Services	476	767	1,678	2,589
	$ 1,906	**$ 3,508**	**$ 5,452**	**$ 10,930**

Operating Highlights and Significant Developments for the three and nine months ended September 30, 2013:

Revenue for the three months ended September 30, 2013 was $1.9 million as compared to $3.5 million for the three months ended September 30, 2012. Revenue decreased 50% for the nine months ended September 30, 2013 to $5.5 million from $10.9 million for the nine months ended September 30, 2012. The decrease in revenue is attributable to the continuing transition from historical business units to the new mobile and social media targeting capabilities, and efforts and investments made during the quarter in the core advertising platform and hiring and training a larger sales organization. The Adjusted EBITDA loss for Q3 2013 was $0.6 million compared to $0.3 million in Q3 2012. For the nine months ended September 30, 2013, the Adjusted EBITDA loss was $2.1 million as compared to $1.9 million for nine months ended September 30, 2012. The Company was able to reduce the expenses to minimize the EBITDA loss during the period by reducing the headcount and the operating expenses.

Net loss from continuing operations for the three months ended September 30, 2013 was $0.8 million compared to $0.5 million for the three months ended September 30, 2012. Net loss from continuing operations for the nine months ended September 30, 2013 was $3.1 million compared to a loss of $2.8 million for the same period in 2012. The Company disposed Orion Foundry (Canada) Inc. ("Orion Foundry") in April 2012 and income for the three months ended September 30, 2012 from the discontinued operation was nil and for the nine months ended September 30, 2012, income was $5.1 million.

On June 13, 2013, the Company completed its name change from "Cyberplex Inc." to "EQ Inc.", and the Company will continue operations as "EQ Works". EQ stands for equilibrium and the meaning had become synonymous with the company's overall value proposition in the data and technology used by the Company to balance out the amounts of complex variables and conditions that influence performance. The trading of the Company's common shares continued on the Toronto Stock Exchange under the new symbol "EQ", with the predecessor symbol being "CX". As previously announced the shares were consolidated on the basis of one new common share for eight existing common shares and following the consolidation, the number of outstanding securities of the Company was 15,857,287.

On May 23, 2013, EQ Inc. held their Annual and Special Meetings of Shareholders where among a share consolidation and name change vote, a vote on the upcoming years' Board of Directors was held. The Company was pleased to report that their existing Board of Directors, whose profiles can be seen in the Management Information Circular dated April 19, 2013, were re-elected.

Orion Foundry held the Company's Online Publishing business known as "Tsavo". In February 2012, the Company announced Tsavo was engaged in discussions with Yahoo! to address concerns regarding the quality of traffic provided to the Yahoo! advertising base and Tsavo's reliance on Yahoo!'s traffic quality reporting system. Notwithstanding prior information that indicated good quality traffic, Tsavo was informed that it would be required to pay to Yahoo! approximately $4.6 million over a reasonable time period due to poor traffic quality. The Company recorded the entire $4.6 million charge in the fourth quarter of 2011 as the chargeback related to traffic from the final six months of fiscal 2011. In conjunction with the announcement, the Company's President Ted Hastings resigned.

In February 2012, Tsavo implemented cost-saving measures to better align its cost structure with its strategic focus and a Special Committee of the Board of Directors of EQ Inc. was appointed to review the status of Tsavo and the strategic alternatives available to create shareholder value out of Tsavo.

On April 24, 2012, the Company sold 100% of the shares of its indirect subsidiary Orion Foundry in a transaction valued at approximately $33 million.

The financial results of Tsavo, which comprised the entire operations of the Company's Online Publishing business segment, have been presented as a discontinued operation in the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2012. See the "Discontinued Operation" section for a discussion of the results and disposal information.

On April 24, 2012, the Company announced that it had filed notice of intention to commence a Normal Course Issuer Bid ("NCIB") with the Toronto Stock Exchange. Under the NCIB, the Board of Directors authorized the purchase of up to 11,913,232 (1,489,154 common shares on a post-consolidated basis) of its common shares, representing approximately 10% of the "public float" of common shares. The NCIB commenced on May 14, 2012 and expires after one year. On November 14, 2012, the Company instituted an Automatic Share Purchase Plan in connection with the NCIB. M Partners Inc., as broker, is authorized and directed to effect stock purchases during the term of the NCIB subject to the price limits, maximum number of shares and other terms set forth in the Automatic Share Purchase Plan, all as approved by the Toronto Stock Exchange. As of May 13, 2013 (when the NCIB expired), the Company repurchased and cancelled 667,047 (83,380 common shares on a post-consolidated basis) of its common shares under the NCIB, all of which were done in 2012.

Sale of Tsavo

On April 24, 2012, the Company sold Tsavo as part of a series of transactions valued at approximately $33 million. Under the terms of the Transaction, the $33 million consideration is to be satisfied as to:

i) $7.2 million in cash;

ii) $0.1 million in defined payments within one year of the closing of the sale;

iii) the assumption by the purchaser of the debt obligations of Tsavo and CX Ontario Holdings Inc. under the senior secured credit facility with American Capital Ltd. in the amount of $24.3 million;

iv) the assumption by the purchaser of a further debt obligation of a subsidiary of the Company in the principal amount of $0.5 million plus accrued interest;

v) the transfer from Tsavo to the Company of certain internet domain properties valued at approximately $0.2 million; and

vi) the transfer of 6,314,545 (789,318 common shares on a post-consolidated basis) common shares of the Company held by former management of Tsavo, representing approximately 5% of the Company's issued and outstanding common shares, back to the Company for cancellation.

CONTINUING OPERATIONS

Results for the Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

For the three months ended September 30, 2013, on the basis of consolidated Adjusted EBITDA, the Company generated a consolidated Adjusted EBITDA loss of $0.6 million compared to $0.3 million during the same period in 2012. In the third quarter of 2013, there was a decrease in revenue due to efforts being put into rebranding and technological advances to build its new capabilities and the revenue was impacted throughout the transition period.

Summarized Unaudited Condensed Consolidated Financial Results
Three months ended September 30,

(In thousands of Canadian dollars, except per share amounts)		2013		2012	% Chg
Revenue	**$**	**1,906**	$	3,508	(46)
Expenses:					
Publishing and advertising costs		**1,018**		1,939	
Employee compensation and benefits		**846**		1,200	
Other operating expenses		**592**		701	
		2,456		3,840	(36)
Total Adjusted EBITDA(1)		**(550)**		(332)	(66)
Share-based payments		**(10)**		(37)	
Depreciation of property and equipment		**(64)**		(62)	
Amortization of domain properties and other intangible assets		**(293)**		(285)	
Loss from operations		**(917)**		(716)	(28)
Finance income		**81**		220	
Finance cost		**(6)**		(10)	
Income taxes recovery (expense)		**67**		(16)	
Loss for the period from continuing operations		**(775)**		(522)	(48)
Basic and diluted loss per share	**$**	**(0.05)**	$	(0.03)	

(1) As defined. See the section entitled "Non-IFRS Measures".

Revenue

EQ recognizes revenue based on the advertisements served, number of clicks or number of actions performed in the period, depending on the goals for each campaign. Revenue for the three months ended September 30, 2013 was $1.9 million compared to the $3.5 million generated for the same period in 2012.

Publishing and advertising costs

Publishing and advertising costs for EQ consist primarily of payments to advertising exchanges and publishers, paid search traffic costs, media buys from search providers and other direct costs associated with the generation of revenue. Publishing and advertising costs for the three months ended September 30, 2013 was $1.0 million compared to $1.9 million during the same period of 2012, a decrease of 47% which is directly correlated to the decrease in revenues.

Employee compensation and benefits

Employee compensation consists of salary and benefit costs, personnel costs, commissions and variable compensation, payroll taxes and employee health and related benefit expenses. Employee compensation for the three month ended September 30, 2013 was $0.8 million, a decrease of 30%, compared to $1.2 million for the same period in 2012. The decline in employee compensation reflects a reduction in headcount and commissions due to the restructuring of resources compared to 2012.

Other Operating expenses

Other operating expenses consist primarily of office and administration expenses including rent, utilities, insurance costs and office consumables, as well as sales, marketing and travel related expenses, contractor and consulting expenses, communication, equipment rental, and professional services related expenses. Other operating expenses for the three months ended September 30, 2013 was $0.6 million compared to $0.7 million during the same period in 2012, a decrease of 16%. There was a decline in contractors' cost due to less demand for consultants as there were fewer projects completed.

Share-based payments

For Q3 2013, the Company recorded share-based payments of $10,000 compared to $37,000 during the same period during 2012.

Adjusted EBITDA

EQ generated an Adjusted EBITDA loss of $0.6 million in Q3 2013, as compared to a loss of $0.3 million for the same period in 2012. The increase in Adjusted EBITDA loss is directly correlated to the decrease in revenues.

Depreciation of property and equipment

Depreciation of property and equipment increased 3% from $62,000 in the three months ended September 30, 2012 to $64,000 for the same period in 2013.

Amortization of domain properties and other intangible assets

Amortization of domains properties and other intangible assets was $0.3 million for Q3 2013 which was consistent with the same period in 2012.

Results for the Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

For the Nine months ended September 30, 2013, on the basis of consolidated Adjusted EBITDA, the Company generated a loss of $2.1 million as compared to $1.9 million for the same time period in 2012.

Summarized Unaudited Condensed Consolidated Financial Results

Nine months ended September 30,

(In thousands of Canadian dollars, except per share amounts)		**2013**		2012
Revenue	**$**	**5,452**	$	10,930
Expenses:				
Publishing and advertising costs		**2,890**		6,276
Employee compensation and benefits		**2,705**		3,974
Other operating expenses		**1,941**		2,536
		7,536		12,786
Total Adjusted EBITDA[1]		**(2,084)**		**(1,856)**
Share-based payments		**(45)**		(22)
Depreciation of property and equipment		**(209)**		(213)
Amortization of domain properties and other intangible assets		**(862)**		(839)
Loss from operations		**(3,200)**		**(2,930)**
Finance income		**26**		54
Finance cost		**(163)**		(63)
Income taxes recovery		**197**		145
Loss for the period from continuing operations		**(3,140)**		**(2,794)**
Discontinued operation				
Results of discontinued operation		**-**		5,129
Income for the period from discontinued operation		**-**		**5,129**
Net income (loss) for the period	**$**	**(3,140)**	**$**	**2,335**
Basic and diluted earnings (loss) per share	**$**	**(0.20)**	$	0.15
Basic and diluted earnings (loss) per share from continuing operations	**$**	**(0.20)**	$	(0.18)

(1) As defined. See the section entitled "Non-IFRS Measures".

Revenue

Revenue for the nine months ended September 30, 2013 totaled $5.5 million compared to $10.9 million during the same period in 2012. There was a decrease in revenue due to efforts being put into rebranding, technological advances to build its new capabilities and a new, larger sales organization and the revenue was impacted throughout this period of transition and investment.

Publishing and advertising costs

Publishing and advertising costs for the nine months ended September 30, 2013 was $2.9 million compared to $6.3 million during the same period in 2012. This decrease of 54% is directly correlated to the decline in revenue.

Employee compensation and benefits

Employee compensation for the nine months ended September 30, 2013 was $2.7 million, a decrease of 32% as compared to $4.0 million for the same period in 2012. The decline in employee compensation reflects to reduction in headcount and commissions due to the reduction of resources compared to 2012.

Other operating expenses

Other expenses for the nine months ended September 30, 2013 was $1.9 million, a 23% decrease compared to $2.5 million during the same period in 2012. The reduction in operating expenses is directly correlated to decline in revenue and additional cost reduction has been implemented.

Adjusted EBITDA

EQ generated an Adjusted EBITDA loss of $2.1 million in Q3 2013, as compared to a loss of $1.9 million for the same period in 2012. The increase in Adjusted EBITDA loss is directly correlated to the decrease in revenues.

Depreciation of property and equipment

Depreciation of property and equipment remained consistent at approximately $0.2 million during the first nine months of 2013, compared to the same period of 2012.

Amortization of domain properties and other intangible assets

Amortization of domain properties and other intangible assets remained consistent during the nine months ended September 30, 2013, compared to the same period of 2012.

RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA FOR THE THREE AND NINE MONTHS OF 2013 AND 2012

The items listed below represent the consolidated income and expense amounts that are required to reconcile net loss for the period as defined under IFRS to the non-IFRS measure of Adjusted EBITDA for the period.

Reconciliation of Net Income (loss) for the year to Adjusted EBITDA

(In thousands of Canadian dollars)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net Income (loss) for the period	**$ (775)**	$ (522)	**$ (3,140)**	$ 2,335
Income for the period from discontinuing operations	**-**	-	**-**	5,129
Loss for the period from continuing operations	**(775)**	(522)	**(3,140)**	(2,794)
Income taxes recovery (expense)	**67**	(16)	**197**	145
Loss before income taxes	**(842)**	(506)	**(3,337)**	(2,939)
Finance income (cost):				
Interest income on cash and cash equivalents	**5**	17	**26**	34
Foreign exchange loss (gain), net	**76**	203	**(142)**	20
Other interest expense	**(6)**	(10)	**(21)**	(63)
Loss from operations	**(917)**	(716)	**(3,200)**	(2,930)
Share-based payments	**10**	37	**45**	22
Depreciation of property and equipment	**64**	62	**209**	213
Amortization of domain properties and other intangible assets	**293**	285	**862**	839
Adjusted EBITDA(1)	**$ (550)**	$ (332)	**$ (2,084)**	$ (1,856)

(1) As defined. See the section entitled "Non-IFRS Measures".

Loss for the period from continuing operations

Net loss from continuing operations for the third quarter of 2013 was $0.8 million compared to $0.5 million during the same period in 2012. The increase in net loss was due to a decrease in revenue partially offset in decrease in operating expenses and employee compensation costs of the Company during this quarter. Net loss from continuing operations was $3.1 million for the first nine months of 2013 compared to $2.8 million during the same period of 2012.

Income Taxes

The Company recorded income taxes recovery of $67,000 in the three months ended September 30, 2013 compared to an income tax expense of $16,000 in the same period in 2012. Income tax recoveries relate to the amortization of the intangible assets relating to a reversing temporary difference. During the first nine months of 2013, the Company had an income tax recovery of $0.2 million for the first nine months of 2013 compared to $0.1 million in 2012.

Finance Cost and Finance Income

In Q3 2013, finance income totaled $5,000 compared to $17,000 in Q3 2012. For the nine months ended September 30, 2013, finance income totaled $26,000 compared to $34,000 during the same period in 2012.

Interest expense for the third quarter of 2013 was $6,000 compared to $10,000 during the same period in 2012. During the nine months ended September 30, 2013, interest expense was $21,000 compared to $63,000 during the same time period in 2012. The 2013 interest expense is related to the finance leases while in 2012, interest expenses were related to finance leases and a promissory note.

Foreign exchange gains and losses consist of the realized and unrealized exchange differences due to fluctuations between the Canadian and the U.S. dollar exchange rates. The Company recorded a net foreign exchange gain of $0.1 million in the three months ended September 30, 2013 compared to a gain of $0.2 million in the same period of 2012. For the first nine months of 2013, the net foreign exchange loss was $0.1 million compared to a gain of $20,000 in the same period of 2012. The value of the Canadian dollar relative to the U.S. dollar was up during Q3 2013. It was valued at 0.9723 (1 US dollar = 1.0284 CDN) Canadian dollars at September 30, 2013 and 1.0166 Canadian dollars at September 30, 2012 (1 US dollar = 0.9837CDN).

LIQUIDITY AND CAPITAL RESOURCES

The following table shows key liquidity metrics for the periods indicated:

As at September 30, (In thousands of Canadian dollars)		2013	2012
Cash and cash equivalents	$	**3,460**	$ 5,358

Nine months ended September 30, (In thousands of Canadian dollars)		2013	2012
Net cash used in operating activities	$	**(1,607)**	$ (4,552)
Net cash used in financing activities		**(135)**	(354)
Net cash from (used in) investing activities		**(64)**	6,297

Net cash used in operating activities

Cash flow from operating activities resulted in a use of cash of $1.6 million in the first nine months of 2013, compared to a use of cash of $4.6 million for the same period in 2012. Net loss for first nine months of 2013 was $3.1 million compared to net income of $2.3 million in the same period of 2012. The change in non-cash operating assets and liabilities resulted in a source of cash of $0.3 million in the nine months ended September 30, 2013 compared to a use of cash of $3.5 million during the same period last year.

The source of cash of $0.3 million from non-cash operating assets was attributable to decrease in accounts receivable of $1.0 million. There was also an increase in other current assets of $16,000 which was mainly the result of a HST receivable for the third quarter of 2013. There was a decrease in accounts payable and accrued liabilities of $0.6 million related to trade payables and a decrease in deferred revenue related to customer deposits of $18,000.
The use of cash of $3.5 million from non-cash operating assets during the same period in 2012 was attributable to an increase in accounts receivable of $1.7 million which was a result of an increase in revenues in 2012. There was also a decrease in other current assets of $0.2 million, which is mainly the result of a decrease in prepaid expenses during the first nine months of 2012. There was a decrease in accounts payable and accrued liabilities of $1.8 million related to trade payables and a decrease in deferred revenue related to customer deposits of $0.1 million. Income taxes payable decreased by $0.2 million.

The foreign exchange loss on cash and cash equivalents was $0.2 million in the nine months ended September 30, 2013 compared to a loss of $0.1 million in the same period in 2012. Depreciation of property and equipment and amortization of domain properties and other intangible assets was $0.2 million and $0.9 million, respectively, in the nine months ended September 30, 2013 compared to $0.5 million and $3 million during the same time period in 2012.

Share-based payments expenses were $45,000 in the first three quarters of 2013 compared to $39,000 in same period of 2012. The deferred income taxes recovery was $0.2 million for the nine months ended September 30, 2013 compared to $0.2 million in the same period in 2012.

Net cash used in financing activities

Financing activities for the first nine months of 2013 resulted in a use of cash of $0.1 million which was comprised of interest and principal payments on finance lease. Financing activities for the first nine months of 2012 resulted in a use of cash of $0.4 million which was comprised of interest payments on term loans of $0.3 million during the period prior to the sale of Tsavo, payments of $0.1 million were made on the finance leases and $29,000 was utilized to repurchase and cancel 547,047 (68,381) common shares on a post-consolidated basis) common shares under the NCIB.

Net cash generated in (used in) investing activities

Investing activities for the Company are impacted by acquisitions of property, equipment and intangible assets and the purchase or sale of various cash equivalents. In the first nine months of 2013, investing activities used $64,000 of cash compared to a source of cash of $6.3 million during the same period in 2012. In the first three quarters of 2013, the Company received interest income of $26,000 from excess cash invested in cash equivalents in 2013. These inflows were offset by additions in property and equipment of $65,000 and to domain properties and other intangibles assets of $25,000. During the same time period in 2012, the Company utilized $0.4 million for purchases of property and equipment and domain properties and received $6.3 million proceeds from the sale of Tsavo. There was an inflow of $0.4 million of interest income and change in cash and short-term investments.

Investment activities expose the Company to various business risks with respect to acquisitions and market risks with short-term securities, which can include foreign exchange rate risk and interest rate risk.

See also the liquidity risk discussion later in this MD&A for a discussion of the credit facilities.

The following is a contractual maturity analysis of the Company's financial liabilities and commitment at September 30, 2013:

(In thousands of Canadian dollars)	Total	2013	2014	2015 and thereafter
Accounts payable and accrued liabilities	2,038	2,038	-	-
Operating leases net of subleases	329	126	186	17
Finance leases	227	41	123	63
	$ 2,594	$ 2,205	$ 309	$ 80

Summary of Seasonality and Quarterly Results

Online advertising, online commerce and internet usage are seasonally strongest in the fourth quarter and generally slower at the beginning of the year and as a result, operating results will fluctuate quarter by quarter. In addition, our revenue and operating results may fluctuate quarter-to-quarter depending on sales cycles, network performance and customer demand. Costs are incurred more evenly throughout the year. In addition to the seasonal trends, revenue and operating profit can fluctuate from general economic conditions. As a result, one quarter's revenue and operating results may not necessarily be indicative of a subsequent quarter's revenue and operating results. For these reasons, performance is not comparable quarter to consecutive quarter and is best considered on the basis of results for the whole year or by comparison of results in a quarter with results in the same quarter for the previous year. Quarterly results and statistics for the previous eight quarters are outlined below. The discontinued operating results of Tsavo have been removed from the current and comparative quarterly results.

	2013			2012					2011
(In thousands of Canadian dollars, except per share amounts)	**Q3**	Q2	Q1	Q4	Q3	Q2 [(a)]	Q1	Q4	Q3
Revenues	**1,906**	1,909	1,637	2,576	3,508 $	3,890 $	3,532 $	4,036 $	3,123
Adjusted EBITDA	**(550)**	(591)	(942)	(515)	(332)	(699)	(826)	(385)	(593)
Share-based payments	**(10)**	(15)	(21)	(21)	(37)	2	13	(23)	(21)
Acquisition and restructuring costs		-	-	(86)	-	-	-	(200)	-
Depreciation of property and equipment	**(64)**	(70)	(75)	(70)	(62)	(66)	(85)	(63)	(105)
Amortization of domains properties and other intangible assets	**(293)**	(286)	(283)	(279)	(285)	(278)	(276)	342	(491)
Impairment of goodwill and intangible assets	-	-	-	-	-	-	-	(4,854)	-
(Loss) from operations	**(917)**	(962)	(1,321)	(971)	(716)	(1,041)	(1,174)	(5,183)	(1,210)
Finance income (costs), net	**75**	(111)	(102)	(35)	210	(187)	(31)	3,259	484
Income taxes recovery (expense)	**67**	65	65	233	(16)	106	55	69	130
(Loss) for continuing operations	**(775)**	(1,008)	(1,358)	(773)	(522)	(1,122)	(1,150)	(1,855)	(596)
Discontinued operation									
Results of discontinued operation	-	-	-	-	-	(25)	(2,248)	(2,703)	1,642
Gain on sale of Tsavo	-	-	-	-	-	7,402	-	-	-
Income (loss) for discontinued operation	-	-	-	-	-	7,377	(2,248)	(2,703)	1,642
Net income (loss) for the period	**(775)** $	(1,008) $	(1,358) $	(773)	(522) $	6,255 $	(3,398) $	(4,558) $	1,046
Basic earnings (loss) per share	**(0.05)** $	(0.06) $	(0.09) $	(0.05) $	(0.03) $	0.39 $	(0.20) $	(0.27) $	0.06
Diluted earnings (loss) per share	**(0.05)** $	(0.06) $	(0.09) $	(0.05) $	(0.03) $	0.39 $	(0.20) $	(0.27) $	0.06
Basic loss per share from continuing operations	**(0.05)** $	(0.06) $	(0.09) $	(0.05) $	(0.03) $	(0.07) $	(0.07) $	(0.11) $	(0.04)
Diluted loss per share from continuing operations	**(0.05)** $	(0.06) $	(0.09) $	(0.05) $	(0.03) $	(0.07) $	(0.07) $	(0.11) $	(0.04)

(a) Net income for the three ended June 30, 2012 has been adjusted and recasted to correct for an error. The error was related to the forgiveness of intercompany payables as part of the Tsavo disposition. The correction of the error resulted in an increase of $1,053 in the gain on sale of Tsavo recorded and a similar increase in the net income (loss) for the period.

Selected Financial Information

The following table sets out consolidated financial information for EQ for the periods indicated. Each investor should read the following information in conjunction with those financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information for 2013 and 2012 has been derived from the *Unaudited Condensed* Consolidated Interim Financial Statements.

	Three months ended September 30,		Nine months ended September 30,	
(In thousands of Canadian dollars, except per share amounts)	**2013**	2012	**2013**	2012
Revenue	**$ 1,906**	$ 3,508	**$ 5,452**	$ 10,930
Loss for the period from continuing operations	**(775)**	(522)	**(3,140)**	(2,794)
Income (loss) for the period	**(775)**	(522)	**(3,140)**	2,335
Basic and diluted loss per share from continuing operations	**(0.05)**	(0.03)	**(0.20)**	(0.18)
Basic and diluted income (loss) per share	**(0.05)**	(0.03)	**(0.20)**	0.15
Total assets	**8,097**	12,633	**8,097**	12,633
Total current liabilities	**2,738**	3,230	**2,738**	3,230
Total non-current liabilities	**132**	692	**132**	692

Management of capital

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. EQ Inc. defines capital that it manages as the aggregate of its shareholders' equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive income (loss) and retained earnings (deficit). The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, issue debt, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements as at September 30, 2013.

OUTSTANDING SHARE DATA

The following information on EQ's share capital and options outstanding is current of November 7, 2013:

	Outstanding	**Authorized**
Common Shares	15,857,287	unlimited
Stock Options	1,030,626	1,585,728

During 2012, the Company cancelled 6,981,592 (872,699 common shares on a post-consolidated basis) common shares and 750,000 (93,750 stock options on a post-consolidated basis) stock options in conjunction with the disposal of Tsavo, the NCIB and the departure of certain executives. The Company also issued 6,650,000 (831,250 stock options on a post-consolidated basis) stock options during 2012 of which 4,850,000 (606,250 stock options on a post-consolidated basis) stock options were issued to executives. The terms of these stock options issued to management provide for accelerating vesting if the Company's shares achive a stated price on the TSX. This price was not obtained as at September 30, 2013.

On May 11, 2012 the Company announced that the Toronto Stock Exchange ("TSX") had accepted the Company's filing for an NCIB, commencing on May 14, 2012 and expiring on May 13, 2013. Under the NCIB, the Company may purchase up to 11,913,232 (1,489,154 common shares on a post-consolidated basis) of its common shares, representing approximately 10% of the "public float" of common shares. Daily purchases will be limited to 40,721 (5,090 common shares on a post-consolidated basis) common shares, other than block purchase exemptions. Purchases will be made on the open market by the Company through the facilities of the TSX in accordance with TSX requirements. The prices that the Company will pay for any purchased common shares will be the market price of such shares on the TSX at the time of acquisition. On November 14, 2012, the Company instituted an Automatic Share Purchase Plan in connection with the NCIB. M Partners Inc., as broker, is authorized and directed to effect stock purchases during the term of the NCIB subject to the price limits, maximum number of shares and other terms set forth in the Automatic Share Purchase Plan, all as approved by the Toronto Stock Exchange. As of May 13, 2013 (when the NCIB expired), the Company had purchased and cancelled 667,047 (83,380 common shares on a post-consolidated basis) of its common shares.

On June 13, 2013, the Company announced the consolidation of all of the outstanding common shares of the Company. The shares were consolidated on the basis of one new common share for eight existing common shares and following the consolidation, the number of outstanding securities of the Company was approximately 15,857,287. When this share consolidation was completed, the Company also began trading on the Toronto Stock Exchange under the new symbol "EQ" due to the name change.

RESULTS FROM DISCONTINUED OPERATION:

The Company has reclassified the results of Tsavo to discontinued operation for financial reporting purposes, isolating the Tsavo operating results for the nine months ended September 30, 2012 from the continuing operations of EQ Inc. The results of Tsavo for the period ended nine months ended September 30, 2012 are as follows:

Summarized Tsavo Media Financial Results				
	Nine months ended September 30,			
(In thousands of Canadian dollars)		**2013**		2012
Revenue	**$**	-	$	16,355
Expenses:				
Publishing and advertising costs		-		11,970
Employee compensation and benefits		-		1,990
Other operating expenses		-		1,478
		-		15,438
Adjusted EBITDA (1)		-		917
Depreciation of property and equipment		-		267
Amortization of intangible assets		-		2,173
Restructuring costs		-		221
Loss from operations	**$**	-	$	(1,744)
Finance costs, net		-		(668)
Income taxes recovery		-		139
Net income/(loss) for the period	**$**	-	$	(2,273)
Basic earnings (loss) per share	**$**	-	$	(0.14)
Diluted earnings (loss) per share	**$**	-	$	(0.14)

(1) As defined. See the section entitled “Non-IFRS Measures”.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Included in our 2012 Audited Annual Consolidated Financial Statements, as well as in our 2012 Annual MD&A, we have identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations.

Recent Accounting Pronouncements

The Company is analyzing the following recent accounting pronouncements to determine their effect on its *Unaudited Condensed* consolidated financial statements. The full description of each of these recent pronouncements is available in the Company’s December 31, 2012 Audited Annual Consolidated Financial Statements on Sedar.

- *IFRS 9, Financial Instruments (“IFRS 9”)*
- *IFRS 10, Consolidated Financial Statements (“IFRS 10”)*
- *IFRS 11, Joint Arrangement*
- *IFRS 12, Disclosure of Interests in Other Entities (“IFRS 12”)*
- *IFRS 13, Fair Value Measurement (“IFRS 13”)*
- *IAS 1, Presentation of Financial Statements (“IAS 1”)*
- *IAS 27, Separate Financial Statements ("IAS 27")*
- *IFRS 7, Financial Instrument: Disclosures:*

RISKS AND UNCERTAINTIES AFFECTING OUR BUSINESS

Although management has a confident outlook for EQ and continually improves and adapts the Company's risk mitigation strategies, operating in the technology industry inherently involves a certain level of risk and uncertainty. The Company continues to expand and refine management controls, reporting systems, cost controls, and overall policies and procedures in order to minimize the impact of potential risks and uncertainties. Our significant risks and uncertainties are discussed in our 2012 Annual MD&A which was current as of March 28, 2013 and should be reviewed in conjunction with this document.

FINANCIAL RISK MANAGEMENT

Overview

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. The finance department identifies and evaluates the financial risks and is charged with the responsibility of establishing controls and procedures to ensure the financial risks are mitigated in accordance with the approved policies.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable, short-term investments and cash and cash equivalents. The Company invests its excess cash in short-term investments with the objective of maintaining safety of planned capital expenditures and with the secondary objective of maximizing the overall yield of its portfolio. The company's cash is not subject to external restrictions. Investments must be rated at least investment grade by recognized rating agencies. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations.

The Company's credit risk is primarily attributable to its trade receivables. The Company reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of potentially uncollectible accounts. The amounts disclosed in the balance sheet are net of allowances for bad debts, which are established based on the specific credit risk associated with the customer and other relevant information at September 30, 2013, four customers represented 16%, 15%, 15% and 10% of the accounts receivable balance of $1,437, respectively. At December 31, 2012, three customers represented 22%, 13% and 11% of the accounts receivable balance of $2,425. The accounts receivable balances due from the significant customers was current at September 30, 2013

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for capital expenditures and working capital needs. The Company uses its operating cash flows, operating facilities and cash balances to maintain liquidity.

The Company has a revolving credit facility under a credit agreement with a Canadian chartered bank to be used for general operating requirements.

The revolving demand facility is up to $850,000 by way of Canadian and U.S. dollar currency loans. The facility bears interest at the bank's prime rate plus 2.35%. Borrowings outstanding under this facility plus a $150,000 business credit card allocation must not exceed 75% of accounts receivable with an aging less than 90 days, as defined in the credit agreement. The Company renegotiated the revolving demand facility with the lender and under the new credit agreement the Company is required to maintain certain financial and non-financial covenants and are secured by a general security interest in the Company assets. At September 30, 2013 the Company was in compliance with the financial and non-financial renegotiated covenants.

Customer Concentration Risk

Customer concentration risk is the risk of financial loss to the Company due to reliance on one or a small number of customers for significant portions of its total revenues. If a customer that represents a significant portion of revenues reduces its activity or ceases to transact with the Company, there could be a material negative impact on the Company’s financial stability. For the three months ended September 30, 2013, there were three clients comprised 22%, 18% and 10% of the Company's total revenue (from continuing operations) and three clients comprised 23%, 13% and 11% of the Company's total revenue for the same period in 2012. For the nine months ended September 30, 2013, there were two clients comprised of 20% and 14% of the Company’s total revenue (from continuing operations). For the same period in 2012, three clients made up 11%, 10% and 10% of the total revenue.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company’s income or value of its financial instruments.

Periodic Litigation

The Company may from time to time become party to claims and litigation proceedings in the ordinary course of business, which are generally related to contract disputes. Such matters are subject to many uncertainties and the company cannot predict with assurances the outcome and ultimate financial impact from them. There can be no guarantee that actions that may be brought against the company in the future will be resolved in its favour or that the insurance the company carries will be available or paid to cover any litigation exposure. Any losses from settlements or adverse judgments arising out of these claims could be materially adverse to the Company. Where there is a reasonable basis for determining any litigation or litigation risks are or may be material, timely disclosure is effected in accordance with the Company’s disclosure controls and applicable disclosure obligations.

Interest rate risk

The Company does not have any debt that is impacted by fluctuations in interest rates as of September 30, 2013. Interest rate risk is insignificant on the Company's cash equivalents due to the short term maturity of the investments held.

Currency risk

The Company operates internationally with the U.S. dollar as its functional currency and is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in Canadian dollars. In addition the Company is exposed to exchange gains or losses on translation from its U.S. dollar functional currency to its Canadian dollar presentation currency. Exchange gains or losses on translation to the presentation currency are recorded under shareholders' equity in the item "Accumulated Other Comprehensive Loss". The Company's main objective in managing its foreign exchange risk is to maintain Canadian cash on hand to support Canadian forecasted obligations and cash flows. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash and cash equivalents held. The Company also utilizes derivative financial instruments to hedge against fluctuations in the Canadian / U.S. dollar exchange rate. During the three and nine months ended September 30, 2013 and 2012, the Company maintained a portion of its cash resources in both U.S. and Canadian dollar cash and cash equivalents. The Company does not have any foreign currency derivative instruments outstanding as of September 30, 2013.

Fluctuations in the U.S. dollar exchange rate could have a potentially significant impact on the Company's results from operations.

OUTLOOK

The core focus of our business is customer acquisition using digital channels. We assist companies with strategy and execution to target their digital audience. We work with our customers to best position them to take advantage of this constantly growing and evolving digital marketplace and continue to build systems and capabilities that target audiences and acquire customers in the most effective way. The Company continues to make significant investments in technology and in its depth of operations as quality and customer satisfaction continue to be a main focus for all divisions of the organization.

EQ presents a unique value proposition in the market, largely due to our real-time advertising capabilities across multiple channels. The ability to define an audience segment, reach that audience through online, mobile and social media channels, and deliver the exact results that our advertisers are seeking is unparalleled in the Canadian marketplace, and stands out among digital media organizations in North America. Further, few media organizations are able to deploy brand engagement and customer acquisition campaigns through an integrated and seamless offering with a single point of accountability. EQ does this, through a model that ensures advertisers are provided quality results for their media spend. It is this foundation that we have built upon, and continue to build upon, as we invest in technology, solutions and people to even better serve our clients in the future.

The Company remains focused on building a leading digital marketing organization by maintaining an optimal level of control over distribution. It is the combination of advertising reach, targeting capabilities and optimization systems that will continue to benefit advertisers as consumer behaviour evolves and new technologies emerge. The Company currently excels in all of these areas and will continue to make investments and grow its capabilities in a way that conforms strictly to this unique value proposition. As always, the Company will continue to develop programs with a specific focus on performance, that demonstrate the Company's commitment to quality and results and that position EQ extremely well as we move forward.

While strategic initiatives including acquisitions will be key to the Company's future, in the near term the Company will focus on growing our existing business units and related capabilities. Significant investments have now been made, and will continue to be made in sales and marketing, as the Company's focus is beginning to shift from product development to sales. All initiatives, whether organic or external, will necessarily involve a diligent focus on ensuring maximum benefit to the Company and the creation of shareholder value.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 respecting certification of disclosure in issuers' interim filings, the Chief Executive Officer ("CEO") and the person fulfilling the functions of a Chief Financial Officer ("CFO") have designed or caused it to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that (i) information required to be disclosed by the Company in its quarterly filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and CFO in a timely manner.

In addition, the CEO and CFO have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The control framework the CEO and the CFO used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

The CEO and the CFO have evaluated whether or not there were changes to its ICFR during the three months and nine months ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

ADDITIONAL INFORMATION

Additional information, including the quarterly and annual consolidated financial statements, annual information form, management proxy circular and other disclosure documents may be examined by accessing the SEDAR website at www.sedar.com.