



Unaudited Condensed Consolidated Interim Financial Statements  
(In Canadian dollars)

## **EQ INC.**

Three and nine months ended September 30, 2021 and 2020

(Unaudited)

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

The accompanying interim financial statements of the Company for the three and nine months ended September 30, 2021 and 2020 have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standard 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 interim financial statements.

# EQ INC.

**Unaudited Condensed Consolidated Interim Statements of Financial Position**  
**(In thousands of Canadian dollars)**  
**September 30, 2021 and December 31, 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 9,809	\$ 3,209
Accounts receivable (note 15(a))	4,192	4,572
Other current assets	243	197
	<b>14,244</b>	<b>7,978</b>
Non-current assets:		
Property and equipment	117	102
Right-of-use asset (note 5)	23	76
Intangible asset (note 3 & 8)	2,525	1,096
Goodwill (note 4)	1,901	732
	<b>\$ 18,810</b>	<b>\$ 9,984</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 9 (a))	3,457	2,908
Rewards payable (note 3(b))	942	-
Lease liability (note 5)	166	132
Loans and borrowings (note 9 (c))	-	1,989
Contract liabilities	68	86
Earn-out	186	222
	<b>4,819</b>	<b>5,337</b>
Non-current liabilities:		
Lease liability (note 5)	-	18
Loans and borrowings (note 9 (b))	120	80
	<b>4,939</b>	<b>5,435</b>
Shareholders' equity	<b>13,871</b>	<b>4,549</b>
	<b>\$ 18,810</b>	<b>\$ 9,984</b>

# EQ INC.

## Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (In thousands of Canadian dollars, except per share amounts) Three and nine months end September 30, 2021 and 2020

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue (note 2 (d) and 6)	\$ 3,104	\$ 2,851	\$ 7,868	\$ 6,775
Expenses:				
Publishing costs	1,908	1,437	4,592	3,788
Employee compensation and benefits	1,459	1,309	3,776	3,175
Other operating expenses	1,039	493	2,190	1,377
Depreciation of property and equipment	21	18	54	53
Depreciation of right-of-use asset (note 5)	18	17	53	52
Amortization of intangible assets	241	71	353	153
	4,686	3,345	11,018	8,598
Loss from operations	(1,582)	(494)	(3,150)	(1,823)
Transaction costs of acquisition (note 3)	(82)	-	(82)	(23)
Finance income (note 7)	30	4	18	27
Finance costs (note 7)	(38)	(137)	(136)	(409)
Loss before income taxes	(1,672)	(627)	(3,350)	(2,228)
Net loss	(1,672)	(627)	(3,350)	(2,228)
Loss per share:				
Basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.04)
Weighted average number of shares outstanding basic and diluted	68,298,522	58,905,125	66,785,360	56,321,751

# EQ INC.

## Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (In thousands of Canadian dollars, except per share amounts) Nine months ended September 30, 2021 and 2020

	Common shares		Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total equity
	Number of shares (note 10)	Amount					
<b>Balance, January 1, 2021</b>	58,912,008	\$ 81,923	\$ 3,559	\$ 210	\$ (2,062)	\$ (79,081)	\$ 4,549
Net loss	-	-	-	-	-	(3,350)	(3,350)
Share-based payments (note 12)	-	-	515	-	-	-	515
Exercise of stock options (note 10 & 12)	220,666	49	(23)	-	-	-	26
Exercise of warrants (note 10 & 11)	2,108,783	1,392	-	-	-	-	1,392
Equity financing (note 10)	7,187,500	11,409	-	91	-	-	11,500
Share issuance costs (note 10)	-	(761)	-	-	-	-	(761)
Warrants exercised (note 10 & 11)	-	210	-	(210)	-	-	-
<b>Balance, September 30, 2021</b>	<b>68,428,957</b>	<b>\$ 94,222</b>	<b>\$ 4,051</b>	<b>\$ 91</b>	<b>\$ (2,062)</b>	<b>\$ (82,431)</b>	<b>\$ 13,871</b>

	Common shares		Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total equity
	Number of shares (note 10)	Amount					
<b>Balance, January 1, 2020</b>	54,914,426	\$ 77,411	\$ 2,975	\$ 852	\$ (2,062)	\$ (75,654)	\$ 3,522
Net loss	-	-	-	-	-	(2,228)	(2,228)
Share-based payments (note 12)	-	-	411	-	-	-	411
Exercise of stock options (note 10 & 12)	174,834	173	(59)	-	-	-	114
Exercise of warrant (note 10 & 11)	3,816,082	3,658	-	-	-	-	3,658
Warrants exercised (note 10 & 11)	-	639	-	(639)	-	-	-
Expiry of warrants (note 10)	-	-	3	(3)	-	-	-
<b>Balance, September 30, 2020</b>	<b>58,905,342</b>	<b>\$ 81,881</b>	<b>\$ 3,330</b>	<b>\$ 210</b>	<b>\$ (2,062)</b>	<b>\$ (77,882)</b>	<b>\$ 5,477</b>

# EQ INC.

## Unaudited Condensed Consolidated Interim Statements of Cash Flows (In thousands of Canadian dollars) Nine months ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net loss	\$ (3,350)	\$ (2,228)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation of property and equipment	54	53
Depreciation of right-of-use asset	53	52
Amortization of intangible assets	353	153
Share-based payments (note 12)	515	411
Unrealized foreign exchange gain	(11)	(23)
Transaction costs of acquisition (note 3)	82	23
Finance cost, net	99	406
Change in non-cash operating working capital (note 16)	(286)	(263)
<b>Net cash used in operating activities</b>	<b>(2,491)</b>	<b>(1,416)</b>
Cash flows from financing activities:		
Repayment of obligations under property lease (note 5)	(71)	(139)
Loans and borrowings (note 9 (b))	40	80
Repayment of promissory notes (note 9 (c))	(1,717)	-
Proceeds from exercise of warrants (note 10)	1,392	3,658
Equity financing (note 10)	11,500	-
Share issuance costs (note 10)	(761)	-
Proceeds from exercise of stock options (note 10 & 12)	26	114
Interest paid	(293)	(3)
<b>Net cash from financing activities</b>	<b>10,116</b>	<b>3,710</b>
Cash flows from investing activities:		
Interest income received (note 7)	18	5
Acquisition (note 3)	(459)	(850)
Transaction costs of acquisition (note 3)	-	(23)
Earn-out payout	(36)	-
Purchases of property and equipment	(53)	(64)
Addition of intangible asset (note 8)	(506)	(425)
<b>Net cash used in investing activities</b>	<b>(1,036)</b>	<b>(1,357)</b>
Increase in cash	6,589	937
Foreign exchange gain on cash held in foreign currency	11	23
Cash, beginning of the period	3,209	3,691
<b>Cash, end of the period</b>	<b>\$ 9,809</b>	<b>\$ 4,651</b>

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 1. Corporate information:

EQ Inc. ("EQ Works") or (the "Company") enables businesses to better understand, predict, and influence customer behavior. Using unique data sets, advanced analytics, machine learning and artificial intelligence, the Company creates actionable intelligence for businesses to attract, retain, and grow the customers that matter most. Through its proprietary SaaS technology platforms, LOCUS and ATOM, the Company is able to ingest, enrich, analyze and action upon receipt of large quantities of data. The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 1235 Bay Street, Suite 401, Toronto, ON, M5R 3K4. The Company is a publicly listed on the TSX Venture Exchange ("TSX-V").

### 2. Basis of preparation:

#### (a) Statement of compliance and basis of presentation:

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standards 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 condensed consolidated financial statements for the year ended December 31, 2020 (the "2020 financial statements"). The accounting policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standard ("IFRS") issued and outstanding as of the date the Board of Directors authorized the statements for issue.

The notes presented in these condensed consolidated interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year ended December 31, 2020 and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the 2020 financial statements, including the notes thereto.

The interim financial statements were authorized for issue by the Board of Directors on November 19, 2021.

The interim financial statements have been prepared under the historical cost basis. Other measurement bases used are described in the applicable notes to these condensed consolidated interim financial statements.

The interim financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 2. Basis of preparation (continued):

#### (b) Risk and uncertainties:

Since December 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in government worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown, Global equity markets have experienced with significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The extent to which COVID-19 and other pandemic or public health crisis impacts the Company’s business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the action required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown this time, as is the efficacy of the government and central bank interventions. As with most other industries, the year ended December 31, 2020 and the three and nine months ended September 30, 2021, were challenging as our media business had campaigns paused or reduced due to COVID-19. Our response to the pandemic, in terms of investments, cost saving measures and productivity has been strong resulting in improved results throughout the second half of the year. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

#### (c) Functional and presentation currencies:

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

#### (d) Significant accounting policies:

These condensed consolidated interim financial statements have been using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2020, with the exception of the revenue as follows:

Incentive and loyalty revenue: On July 5, 2021, the Company announced the closing of its acquisition of all of the issued and outstanding shares of Integrated Rewards Inc. (“Paymi”). Paymi is a cloud-based marketing platform that uses card linking technology to enable consumers to receive cash back rewards for credit and debit card transaction and offer merchant partners the ability to understand more about their customers to drive greater sales and increase market share. As a result of the acquisition, the Company enters the Incentive and loyalty data market with a fully commercialized scalable application. Ingesting millions of transactions in real-time from multiple sources, Paymi creates aggregate, real-time, privacy centric, anonymized customer spending profiles. The revenue is recognized.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 2. Basis of preparation (continued):

#### (d) Significant accounting policies (continued):

Upon confirmation of the purchase by a Paymi member, an amount calculated by multiplying the purchase amount by a certain rate is recorded as success fee, and cash back expense for the Paymi member are recorded simultaneously. Success fee and expense arising from the provision of this services are recorded on a gross basis, as Paymi has the right to enforce discretionary control of the customers and Paymi members over the transaction and pricing. Payments of fees are received approximately within three months from the end of the month in which the order is completed, and performance obligations are satisfied.

### 3. Acquisition:

#### (a) Juice Mobile

On March 1, 2020, the Company, through its wholly owned subsidiary EQ Advertising Group Ltd., completed the acquisition and licensing of certain assets of Curate Mobile Ltd. ("Curate"), including Juice Mobile ("Juice Mobile"). Juice Mobile's platform is targeted to advertisers looking to boost user value or increase brand awareness on mobile. By leveraging existing and new clients under the EQ Works Mobile umbrella, the expanded company will offer more precise and targeted mobile programmatic ad buy solutions for agencies, brands, and publishers. The company will also use machine learning and proprietary learning algorithms to optimize bidding behaviours towards a range of campaign goals by making billions of automated decisions on a daily basis.

The total consideration was \$850 and additional cash consideration to be paid out over the following 12 months based on certain performance thresholds being met.

In accordance with IFRS 3, Business Combinations, the assets acquired constitute a business for accounting purposes and was accounted for using the acquisition method of accounting. The Company incurred transaction costs of \$32 (March 31, 2020 - \$23) associated with the acquisition which were expensed.



# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

### 3. Acquisition (continued):

#### (a) Juice Mobile (continued)

The allocation of the purchase consideration was as follows:

Allocation	
Fixed assets	\$ 3
Customer relationships	311
Backlog	21
Goodwill	732
Contract liabilities	(138)
<b>Net assets acquired</b>	<b>929</b>

  

Purchase consideration:	
Consideration in cash	\$ 850
Contingent consideration ("Earn-out")	79
<b>Purchase consideration</b>	<b>929</b>

The acquisition agreement provides for contingent consideration payment up to \$79, based on achievement of certain predetermined revenue and gross profits targets, in the 12-months period following the closing of the acquisition to a maximum total compensation paid to Curate up to \$929. The Company has estimated the Earn-out to be \$87 of the contingent consideration. The estimated Earn-out consideration was fair valued by discounting the after-tax cash flow over the life of the capital payment period of 12 months at a discount rate of 12% to be \$79 and was recognized at March 31, 2020. For the year ended December 31, 2020, an accretion of \$6 was recorded. Subsequent to the date of acquisition, the Company wrote off Earn-out of \$85, due to not achieving predetermined revenue, which has been recognized in profit and loss for the year ended December 31, 2020.

As at December 31, 2020, the Company recognized goodwill of \$732 arising from the acquisition of Juice Mobile, on March 1, 2020. The acquisition of Juice Mobile will provide increased scale to the Company's existing business and additional sales presence to better service the Canadian market and US Market and pursue strategic new partnership opportunities with some of North America's leading companies for location based data platforms and digital marketing solutions. The acquisition also reflects the value of the Juice's skilled and experienced workforce. The \$732 recognized as goodwill is deductible for tax purposes.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 3. Acquisition (continued):

#### (a) Juice Mobile (continued)

The Company recorded \$506 of revenue and a \$77 net loss in these condensed consolidated interim statements of net loss and comprehensive loss for the three months ended September 30, 2021, from Juice Mobile as a result of the acquisition and recorded \$1,840 of revenue and \$27 net loss in the condensed consolidated interim statement of net loss and comprehensive loss for the nine months ended September 30, 2021.

The Company recorded \$726 of revenue and a \$198 net income for the three months ended September 30, 2020 and recorded \$1,229 of revenue and a \$110 net income for the nine months ended September 30, 2020.

#### (b) Paymi

On July 2, 2021, the Company completed the acquisition of all the shares of integrated Rewards Inc., and its consumer facing application Paymi.com ("Paymi"). Paymi is a cloud-based marketing platform that uses card linking technology to enable consumers to received cash back rewards for credit and debit card transactions and offer merchant partners the ability to understand more about their customers to drive greater sales and increase market share.

In addition to a customary working capital adjustment, the purchase price payable on closing was \$2,500 payable in cash, of which \$2,000 was paid in the manner directed by Paymi and \$500 was placed into escrow for indemnity purposes. Of the funds held in escrow, \$375 will be released after 12 months and \$125 will be released after 18 months, in each case subject to any claims by the Company. The \$500 placed into escrow was fair valued by discounting the Paymi's cost of debt of 7.5% to \$461 and was recognized at July 2, 2021. For the three and nine months ended September 30, 2021, an accretion of \$9 was recorded.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3, Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a preliminary business valuation of Paymi at the date of acquisition and a preliminary purchase price allocation. At the time of issuance of these condensed consolidated interim financial statements, certain aspects of the valuation are not finalized, and the business valuation and the purchase price allocations are subject to change. The Company incurred transaction costs of \$82 associated with the acquisition which were expensed.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 3. Acquisition (continued):

#### (b) Paymi (continued)

The preliminary allocation of the purchase consideration was as follows:

Allocation	
Cash	\$ 2
Other current and non-current assets	541
Fixed assets	16
Developed technology	100
Paymi brand	442
Acquired customers	734
Goodwill	1,169
Current liabilities	(1,669)
Rewards liabilities	(873)
Contract liabilities	(1)
Net assets acquired	461

#### Purchase consideration:

Consideration in cash	\$ 2,000
Escrow	461
Working capital adjustment	(2,000)
Purchase consideration	461

As at September 30, 2021, the Company recognized goodwill of \$1,169 arising from the acquisition of Paymi, on July 2, 2021. The acquisition of Paymi added a new revenue stream and facilitates expansion into multiple new customer verticals, an innovative proprietary technology platform that accumulates 100% consent based zero party data in a privacy focused environment and access to these data sets will organically enhance LOCUS's leading analytics and AI framework with proprietary zero party data.

The Company recorded \$94 of revenue and a \$491 net loss in the condensed consolidated interim statement of net loss and comprehensive loss for the three months ended September 30, 2021, from Paymi as a result of the acquisition.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 4. Goodwill:

Changes to the carrying amount of goodwill during the nine months ended September 30, 2021 was as follows:

	<b>Goodwill</b>
Balance at January 1, 2021	\$ 732
Acquired through business combination (Note 3 (b))	1,169
Goodwill at September 30, 2021	<b>1,901</b>

The Company is required to assess whether a triggering event has occurred which would require an interim impairment testing. The Company considered the current and future economic and market conditions surrounding the COVID-19 pandemic and its impact on the carrying value of the goodwill associated with the acquisitions refer to note 2(b) and (3). Further, the Company assessed the current market capitalization, budget and revised forecasts associated with the pandemic. The Company determined that a triggering event has not occurred which would require an interim impairment test to be performed.

### 5. Right-of- use asset and lease liability:

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.5%.

For the three and nine months ended September 30, 2021, an accretion of \$29 (2020 - \$28) and \$87 (2020 - \$87) in carrying amount of lease liability was recorded because of the use of present value factor at initial measurement.

For the three and nine months ended September 30, 2021, lease payments of \$24 (2020 - \$46) and \$71 (2020 - \$139) was recorded.

The Company's lease liability and movements therein during the nine months ended September 30, 2021:

	<b>Lease liability</b>
Lease liability at January 1, 2021	\$ 150
Accretion on lease liability	87
Lease payment	(71)
Lease liability at September 30, 2021	<b>166</b>

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

### 5. Right-of-use asset and lease liability (continued):

The Company's right-of-use assets and movements therein during the nine months ended September 30, 2021:

	<b>Office lease</b>
Right-of-use assets at January 1, 2021	\$ 76
Depreciation on right-of-use assets	(53)
Right-of-use assets at September 30, 2021	23

### 6. Segment information:

The Company's management and chief operating decision maker reviews performance of the Company on a consolidated basis and has integrated its services as one reportable segment, which provides real-time technology and advance analytics to improve performance for all web, mobile, social and video advertising initiatives and focuses on targeted advertising and incorporates the most sophisticated advertising technologies, data analytics and programmatic media buying capabilities into a single system. The chief operating decision maker evaluates the Company's performance, makes operating decision, and allocates resources based on financial data consistent with the presentation in these condensed consolidated interim financial statements.

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

The Company generates revenue across two geographical regions; customer revenue by region is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Canada	\$ 3,074	\$ 2,655	\$ 7,767	\$ 6,407
U.S.	30	196	101	268
	\$ 3,104	\$ 2,851	\$ 7,868	\$ 6,775

For the three months ended September 30, 2021, there were three customers that comprised 29%, 17% and 12%, respectively, of the Company's total revenue from operations. No other customers exceeded 10% of revenue. For the three months ended September 30, 2020, there were three customers that comprised 21%, 12% and 12%, respectively, of the Company's total revenue from operations.

For the nine months ended September 30, 2021, there were two customers that comprised 28% and 18% of the Company's total revenue and two customers that comprised 24% and 14% of the Company's total revenue for the same period in 2020.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

### 6. Segment information (continued):

The components of revenue are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Advertising Services	\$ 2,184	\$ 2,142	\$ 5,669	\$ 5,204
Data Sales	920	709	2,199	1,571
	<b>\$ 3,104</b>	<b>\$ 2,851</b>	<b>\$ 7,868</b>	<b>\$ 6,775</b>

### 7. Finance income and finance cost:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Finance income:				
Interest income on cash and cash equivalents	6	4	18	5
Foreign exchange gain, net	24	–	–	22
Total finance income	30	4	18	27
Finance costs:				
Other interest expense	–	(1)	–	(3)
Accretion on Earn-out (note 3)	–	(10)	–	(29)
Accretion on Escrow (note 3(b))	(9)	–	(9)	–
Accretion on lease	(29)	(28)	(87)	(87)
Accretion on interest (note 9(c))	–	(45)	(10)	(135)
Interest on loans and borrowings (note 9(c))	–	(52)	(11)	(155)
Foreign exchange loss, net	–	(1)	(19)	–
Total finance costs	(38)	(137)	(136)	(409)
Net finance costs recognized in profit or loss	\$ (8)	\$ (133)	\$ (118)	\$ (382)

# EQ INC.

Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of Canadian dollars, except per share amounts)  
Three and nine months ended September 30, 2021 and 2020

## 8. Intangible assets:

	Customer relationships	Non-compete	Backlog	Software	Developed Technology	Paymi Brand	Total
<b>Cost</b>							
Balance							
January 1, 2020	\$ 190	\$ 25	\$ 50	\$ 375	\$ –	\$ –	\$ 640
Addition	–	–	–	575	–	–	575
Acquisition (note 3(a))	311	–	21	–	–	–	332
<b>Balance, December 31, 2020</b>	<b>\$ 501</b>	<b>\$ 25</b>	<b>\$ 71</b>	<b>\$ 950</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 1,547</b>
<b>Cost</b>							
Balance							
January 1, 2021	\$ 501	\$ 25	\$ 71	\$ 950	\$ –	\$ –	\$ 1,547
Addition	–	–	–	450	56	–	506
Acquisition (note 3(b))	734	–	–	–	100	442	1,276
<b>Balance, September 30, 2021</b>	<b>\$ 1,235</b>	<b>\$ 25</b>	<b>\$ 71</b>	<b>\$ 1,400</b>	<b>\$ 156</b>	<b>\$ 442</b>	<b>\$ 3,329</b>

# EQ INC.

Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of Canadian dollars, except per share amounts)  
Three and nine months ended September 30, 2021 and 2020

## 8. Intangible assets (continued):

<b>Amortization</b>	<b>Customer relationships</b>	<b>Non-competes</b>	<b>Backlog</b>	<b>Software</b>	<b>Developed Technology</b>	<b>Paymi Brand</b>	<b>Total</b>
Balance, January 1, 2020	\$ 38	\$ 15	\$ 50	\$ –	\$ –	\$ –	\$ 103
Amortization	75	10	18	125	–	–	228
Impairment	120	–	–	–	–	–	120
<b>Balance, December 31, 2020</b>	<b>\$ 233</b>	<b>\$ 25</b>	<b>\$ 68</b>	<b>\$ 125</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 451</b>
<b>Amortization</b>							
Balance January 1, 2021	\$ 233	\$ 25	\$ 68	\$ 125	\$ –	\$ –	\$ 451
Amortization	100	–	3	188	25	37	353
<b>Balance, September 30, 2021</b>	<b>\$ 333</b>	<b>\$ 25</b>	<b>\$ 71</b>	<b>\$ 313</b>	<b>\$ 25</b>	<b>\$ 37</b>	<b>\$ 804</b>
<b>Carrying amounts</b>							
Balance, December 31, 2020	\$ 268	\$ –	\$ 3	\$ 825	\$ –	\$ –	\$ 1,096
<b>Balance, September 30, 2021</b>	<b>\$ 902</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 1,087</b>	<b>\$ 131</b>	<b>\$ 405</b>	<b>\$ 2,525</b>



# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 9. Loans and borrowings:

#### (a) Bank credit facility:

The Company has access to a \$1,600 revolving credit facility (the “Facility”), including credit card facility of \$100, with a Canadian chartered bank. Borrowing under this Facility are secured by accounts receivable, and the Facility bears interest at the bank’s prime rate plus 2.5% per annum. As at September 30, 2021, nil (2020 – nil) was outstanding under the Facility included in the loans and borrowings and \$82 (2020 – 76) was outstanding under the credit card facility included in accounts payable.

#### (b) Canada Emergency Business Loan:

The Government of Canada launched the Canada Emergency Business Loan (“CEBA”) to provide interest-free loans to business to help cover operating costs during the period of COVID-19. As at December 31, 2020, the Company received \$80 from the CEBA. For the nine months ended September 30, 2021, the Company received an additional \$40 CEBA loan, on top of the \$80 received in 2020. The loan is interest-free until December 31, 2022. The remaining balance is converted to a 3 years term loan at an annual interest rate of 5% after December 31, 2022.

#### (c) Promissory notes payable:

On August 19, 2019, the Company entered into debt financing (the “2019 Notes”) in the amount of \$1,717 due on January 19, 2021. The 2019 Notes, which are non-convertible, bear interest at annual rate of 12% with principal and interest payment due on maturity date. The lenders received one and half non-transferable warrants (the “2019 Bonus Warrants”) for each dollar of principal amount of 2019 Notes, with each 2019 Bonus Warrants being exercisable for a period of seventeen months from the date of issuance for one common share of the Company at an exercise price of \$0.66 per common share. All 2019 bonus Warrants are subject to a four month hold period from the date of issuance in accordance with the applicable securities law.

The 2019 Notes were separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issuance was calculated as the discounted cash flows for the debentures assuming a 26.47% effective interest rate which was the estimated rate for the debentures without the warrants. The fair value of the warrants was determined at the time of issuance as the difference between the face value of the debentures and the fair value of the liability component. The value of the warrants has been classified as a component of equity.

On January 19, 2021, the 2019 Notes of \$1,717 and accrued interest of \$293 was fully repaid.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 9. Loans and borrowings (continued):

#### (c) Promissory notes payable (continued):

The following table outlines the activity for loans and borrowings as at September 30, 2021:

	<b>2021</b>
Promissory notes balance, January 1, 2021	\$ 1,989
Accretion of interest	11
Accrued interest	10
Repayment of promissory notes (2019 Notes)	(2,010)
CEBA loan	120
<b>Total loans and borrowings</b>	<b>\$ 120</b>

### 10. 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.

On January 19, 2021, the Company received proceeds of approximately \$1,392 as a result of exercise of 2,108,783 warrants at an exercise price of \$0.66. Each warrant was converted into one common share. The warrants were issued in connection of the 2019 Notes, with expiry dates of January 19, 2021. The Company used the proceeds from the Bonus Warrants as partial repayment for the amount owned under the 2019 Notes.

On February 19, 2021, the Company closed a bought deal offering of aggregate of 7,187,500 shares in the capital of the Company at a price of \$1.60 per offered security for total proceeds of \$11,500, which included the full exercise of the over-allotment option granted to the underwriters. The offering was completed by a syndicate of underwriters. In consideration for their services, the underwriters received aggregate cash compensation of \$460 and broker warrants 230,160. The broker warrants are exercisable for a period of 18 months following closing of the financing at a purchase price per share equal to the common share issuance price. The Company issued 230,160 broker warrants at a fair value of \$0.39 per broker warrant that was determined using the Black-Scholes option pricing model using the following assumption: risk-free interest rate of 0.15%, expected volatility of 49%, expected life of 1.5 years and expected dividends of nil. The broker warrants' value of \$91 was recognized with a corresponding reduction of share capital. The Company incurred additional share issuance costs of \$299 in connection with the offering.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

### 10. Common shares (continued):

On May 29, 2020, the Company announced that it is accelerating the expiry date of 3,333,333 outstanding common share purchase warrants (the "Warrants"), which were issued pursuant to a non-brokered private placement in December 2019. Each Warrant is exercisable at a price of \$1.00 per common share for a period of 24 months following issuance. The terms of the Warrants are such that the expiry date can be accelerated by the Company at any time if the closing price of the Company's common shares on the facilities of the TSX-V is greater than \$1.25 for any 10 consecutive trading days following the date that is four months and one day after the closing of the private placement (the "Acceleration Trigger"). The Company confirmed that as of the close of markets on May 25, 2020, the Acceleration Trigger had occurred.

The Company received proceeds of approximately \$3,658 as a result of the exercise of 3,816,082 warrants. Each warrant was converted into one common share. The warrants were issued in connection of the 2019 Private Placement and 2019 Notes, with expiry dates of December 9, 2021 and January 19, 2021, respectively. 3,349,884 of 2019 Private Placement warrants at \$1.00 and 466,198 of 2019 Bonus warrants at \$0.66 were exercised. The expiry date of the warrants in connection of 2019 Private Placement was accelerated by the Company set to be June 28, 2020.

During the three months ended September 30, 2021, 200,000 stock options were exercised into 200,000 common shares with an exercise price of \$0.05 for total proceeds of \$10. During the nine months ended September 30, 2021, 220,666 stock options were exercised into 220,666 common shares with an average exercise price of \$0.12 for total proceeds of \$26. During the three and nine months ended September 30, 2020, 2,500 and 174,834 stock options were exercised into 2,500 and 174,834 common shares with an exercise price of \$0.62 and \$0.65 for total proceeds of \$2 and \$114, respectively.

### 11. Warrant Capital:

The Company had the following warrants outstanding at September 30, 2021

	September 30, 2021		December 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	2,108,783	\$ 0.66	5,943,207	\$ 0.85
Granted	230,160	1.60	-	-
Exercised	(2,108,783)	0.66	(3,816,082)	0.96
Expired	-	-	(18,342)	1.00
Outstanding, end of period	230,160	\$ 1.60	2,108,783	\$ 0.66

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

### 12. Share-based payments:

The following table summarizes the continuity of options issued under the Company's stock option plan (the "Plan") for the period ended:

	September 30, 2021		September 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	4,253,667	\$ 0.68	1,865,501	\$ 0.25
Granted	510,000	1.50	2,483,000	0.96
Exercised	(220,666)	0.12	(174,834)	0.65
Forfeited or cancelled	(805,334)	0.96	(65,000)	0.94
Outstanding, end of period	3,737,667	0.76	4,108,167	0.65
Options exercisable, end of period	2,192,001	\$ 0.52	1,601,333	\$ 0.18

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

Range of exercise price	September 30, 2021			September 30, 2020		
	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
\$0.05	1,106,667	0.1	1,106,667	1,306,667	1.1	1,306,667
\$0.60 – 0.69	10,000	2.0	10,000	24,000	3.0	8,000
\$0.70 – 0.79	275,000	2.4	275,000	300,000	3.3	283,333
\$0.80 – 0.89	55,000	3.0	21,666	55,000	4.0	3,333
\$0.90 – 0.99	1,616,000	3.5	572,002	2,423,000	4.5	-
\$1.30 – 1.39	165,000	4.1	150,000	-	-	-
\$1.40 – 1.46	410,000	4.7	10,000	-	-	-
\$1.70 – 1.75	100,000	4.6	50,000	-	-	-

The Company granted 125,000 Restricted Share Units (each unit an "RSU") to an officer of the Company in accordance with the Company's shareholder approved RSU plan. Each RSU is exercisable into one common share of the Company. This is a normal-course grant that comprises part of the long-term compensation and employee retention incentive provided by the Company. The RSU will vest over 3 years and will expire on August 24, 2025 and an expense of \$59 was expensed. The RSU was forfeited in May 2021.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

### 12. Share-based payments (continued):

The following table summarizes the continuity of RSUs for the period ended:

	September 30, 2021	
	Number of RSUs	Market price at the grant date
Outstanding, beginning of the period	125,000	\$ 1.50
Forfeited	(125,000)	1.50
Outstanding, end of the period	-	-
RSUs exercisable, end of the period	-	\$ -

During the three months ended September 30, 2021, the Company recorded share-based payments of \$158 compared to \$277 during the same period in 2020. During the nine months ended September 30, 2021, the Company recorded a share-based payment of \$515 compared \$411 during the same period in 2020.

During the three months ended September 30, 2021, 142,500 stock options were granted and 200,000 were exercised. During the nine months ended September 30, 2021, 510,000 stock options were granted and 220,666 were exercised.

During the three months ended September 30, 2020, no stock options were granted and 2,500 stock options were exercised. During the nine months ended September 30, 2020, 2,483,000 stock options were granted and 174,834 were exercised.

During the three and nine months ended September 30, 2021, no RSUs were granted. During the three and nine months ended September 30, 2020, 125,000 RSUs were granted and an expense of \$17 was expensed.

# EQ INC.

Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of Canadian dollars, except per share amounts)  
Three and nine months ended September 30, 2021 and 2020

## 13. Fair values of financial instruments:

The following table provides the allocation of financial assets and liabilities required to be measured at amortized cost or fair value and their carrying values:

September 30, 2021	Carrying value total	Fair value total
<b>Measurement basis</b>		
<b>Financial assets at amortized cost:</b>		
Cash	\$ 9,809	\$ 9,809
Accounts receivable	4,192	4,148
	\$ 14,001	\$ 13,957
<b>Financial liabilities at amortized cost:</b>		
Accounts payable and accrued liabilities	\$ 3,457	\$ 3,387
Rewards payable	942	942
Loans and borrowings	120	120
	4,519	4,449
Earn-out at fair value	186	186
	\$ 4,705	\$ 4,635

December 31, 2020	Carrying value total	Fair value total
<b>Measurement basis</b>		
<b>Financial assets at amortized cost:</b>		
Cash	\$ 3,209	\$ 3,209
Accounts receivable	4,572	4,572
	\$ 7,781	\$ 7,781
<b>Financial liabilities at amortized cost:</b>		
Accounts payable and accrued liabilities	\$ 2,908	\$ 2,908
Loans and borrowings	2,069	2,079
	4,977	4,987
Earn-out at fair value	222	222
	\$ 5,199	\$ 5,209

There have been no transfers of assets between levels during the nine months ended September 30, 2021 and 2020.

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 14. 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, accumulated other comprehensive income 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, repurchase shares, pay dividends or raising capital and borrowings, as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. There has been no changes to the Company's capital management approach in 2021 from 2020.

### 15. 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.

#### (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. The majority of the Company's customers are located in Canada. At September 30, 2021, three customers represented 23%, 14% and 14% of the gross accounts receivable balance of \$4,397, respectively. At December 31, 2020, two customers represented 20% and 15% of the gross accounts receivable balance of \$4,786, respectively. No other individual customers represented more than 10% of accounts receivable. As at September 30, 2021, the expected credit losses was \$205 (December 31, 2020 - \$214). The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors. As at September 30, 2021, approximately 79%, \$712 (December 31, 2020 – 82%, \$997) of accounts receivable balances over 90 days were not impaired. The consolidated entity has a credit risk exposure with two agencies located in Canada, which as at September 30, 2021 owed the consolidated entity \$1,198 (28% of trade receivables) (December 31, 2020: \$1,652 (35% of trade receivables)). This balance was within its terms of trade and no impairment was made as at September 30, 2021 and December 31, 2020. The Company's payment terms range from 30 days to 60 days from the invoice date. There are no guarantees against this receivable, but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk. Management believes that the expected credit loss allowance is adequate

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

### 15. Financial risk management (continued):

#### (a) Credit risk (continued):

The Company, from time to time, invests its excess cash with the objective of maintaining safety of the principal and providing adequate liquidity to meet current payment obligations and future planned capital expenditures and with the secondary objective of maximizing the overall yield of the portfolio. The Company's cash as at September 30, 2021 is not subject to external restrictions and is held with Schedule I banks in Canada.

#### (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.

The following are the undiscounted contractual maturities for the Company's obligations:

September 30, 2021	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	>3 years
Trade and other payables <sup>(i)</sup>	\$ 3,457	\$ 3,457	\$ 3,457	\$ -	\$ -
Rewards payable	942	942	942	-	-
Leases	166	212	212	-	-
Loans and borrowings	120	120	-	120	-
Earn-out	186	186	186	-	-
	<b>\$ 4,871</b>	<b>\$ 4,917</b>	<b>\$ 4,797</b>	<b>\$ 120</b>	<b>\$ -</b>

  

December 31, 2020	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	>3 years
Trade and other payables <sup>(i)</sup>	\$ 2,908	\$ 2,908	\$ 2,908	\$ -	\$ -
Leases	150	284	252	32	-
Loans and borrowings	2,069	2,090	2,010	80	-
Earn-out	222	222	222	-	-
	<b>\$ 5,349</b>	<b>\$ 5,504</b>	<b>\$ 5,392</b>	<b>\$ 112</b>	<b>\$ -</b>

<sup>(i)</sup> Trade and other payables exclude other non-contractual liabilities



# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

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### 15. 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:

The Company's interest rate risk arises primary from its loans and borrowings obligations, which bear a fixed interest rate of 12%. As the Company paid off the 2019 Notes on January 19, 2021, management believes that the Company is not significantly exposed to cash flow interest rate risk.

#### (ii) Currency risk:

The Company operates internationally with the Canadian 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 U.S dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. cash on hand to support international 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 held.

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately \$37 (December 31, 2020 - \$19) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive income (loss).

Balances held in non-Canadian dollars are as follows:

	<b>September 30, 2021</b>	December 31, 2020
	<b>US</b>	US
Cash	\$ 704	\$ 239
Accounts receivable	44	111
Accounts payable and accrued liabilities	461	498

# EQ INC.

## Notes to Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2021 and 2020

### 16. Consolidated statements of cash flows:

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

	Nine months ended September 30,	
	2021	2020
Accounts receivable	\$ 380	\$ (1,047)
Other current assets	486	3
Accounts payable and accrued liabilities	(1,202)	830
Rewards payable	69	-
Contract liabilities	(19)	(49)
	<b>\$ (286)</b>	<b>\$ (263)</b>

### 17. Additional information

During the three and nine months ended September 30, 2021, the Company benefited from Canadian Employment Wage Subsidy ("CEWS") for \$1 (2020 - \$239) and \$206 (2020 - \$624), which was used to reduce the salary on the consolidated statement of loss. The CEWS benefits reduced employee compensation and benefits by \$1 (2020 - \$239) and \$206 (2020 - \$624) for the three and nine months ended September 30, 2021, respectively.

### 18. Subsequent events

On October 15, 2018, the Company entered into a share purchase transaction to purchase 100% of the shares of Tapped Networks Inc. ("Tapped Mobile"). The acquisition agreement (the "Agreement") provided for an upfront payment of Common Shares in EQ Inc. and an additional earnout payment of up to \$2,800 based on the achievement of certain predetermined revenue and gross profit targets over the 24-month period following the closing of the acquisition. The Agreement further specified that based on the earnout, Tapped Mobile shareholders could earn up to \$1,400 in the first year and the remaining \$1,400 in the second year based on the predetermined revenue and gross profit targets for those periods. The first year earnout payment was agreed to based on the revenue and gross profit targets generated that year, however, the two parties are currently in dispute regarding the amount owing relating to the second year earnout. The business acquired through Tapped Mobile has generated millions of dollars of revenue and considerable contribution during the earnout period however the earnout calculations have been in dispute. The Ontario Superior Court ruled that the Company was to pay the former shareholders of Tapped Mobile the entire amount for the second year earnout under the Share Purchase Agreement. The Company does not agree with this judgement and as a result has retained legal counsel and will be appealing this decision.