EQ INC.

ANNUAL INFORMATION FORM
For the year ended December 31, 2022

Dated April 28, 2023

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INTRODUCTION

General

In this annual information form ("**AIF**"), unless the context otherwise requires, "EQ", "Company" or "EQ Works" refers to EQ Inc., its subsidiaries and divisions, and their respective predecessors. Unless otherwise indicated, references to "dollars" and "$" are to Canadian dollars. Unless otherwise indicated, the information contained herein is given as at April 28, 2023. Any references to "2022" or "2021" refer to EQ's fiscal years ended December 31, 2022, and December 31, 2021, respectively. Defined terms used herein have the respective meanings given to such terms under the heading "Glossary of Terms".

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this AIF contain forward-looking statements that 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 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.

This AIF may also include cautionary statements about these matters. You should read the cautionary statements made below as being applicable to all forward-looking statements wherever they appear in this document.

It is important to note that:

- there is no assurance that any forward-looking statement 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 April 28, 2023; and
- EQ 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 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 and certain customers, demand for our products, the introduction of competing technologies, competitive pressures, cyber security, network restrictions, fluctuations in foreign currency exchange rates, and other similar factors that may cause the actual results, performance, or achievements of EQ 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's business and other factors that could cause financial results to fluctuate is set forth below in "Risk Factors", as well as elsewhere herein, and is contained in EQ's filings with Canadian securities regulatory authorities. Readers are cautioned not to place undue diligence on such statements. We do not undertake 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 laws.

All of the forward-looking statements contained in this AIF are expressly qualified by the foregoing cautionary statements. Investors should read this entire AIF and consult their own professional advisors to assess the income tax, legal, risk factors, and other aspects of their investment.

GLOSSARY OF TERMS

The following is a glossary of certain defined terms used throughout this AIF. This is not an exhaustive list of defined terms used in this AIF and additional terms are defined throughout.

"**2019 Bonus Warrants**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History*";

"**2020 Credit Facility**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History*";

"**2019 Notes**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History*";

"2020 Credit Facility" has the meaning ascribed to such term under "General Development of the Business – Three Year History";

"**2021 Offering**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History*";

"**Acceleration Trigger**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History*";

"**Audit Committee**" has the meaning ascribed to such term under "*Audit Committee"*;

"**Board**" has the meaning ascribed to such term under "*Corporate Structure"*;

"**Common Shares**" means the common shares in the capital of the Company;

"**Cyberplex**" has the meaning ascribed to such term under "*Corporate Structure*";

"**December 2019 Financing**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History*";

"**Emerald**" has the meaning ascribed to such term under "*Corporate Structure*";

"**EQ Advertising**" has the meaning ascribed to such term under "*Corporate Structure*";

"**Facility**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History*";

"**IO**" has the meaning ascribed to such term under "*Narrative Description of the Business*";

"**OBCA**" has the meaning ascribed to such term under "*Corporate Structure*";

"**Option Plan**" has the meaning ascribed to such term under "*Description of Capital Structure"*;

"**Options**" has the meaning ascribed to such term under "*Description of Capital Structure"*;

"**Order**" has the meaning ascribed to such term under "*Directors and Executive Officers - Cease Trade Orders, Bankruptcies, Penalties or Sanctions*";

"**Publisher**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History"*;

"**Tapped Mobile**" has the meaning ascribed to such term under "*Corporate Structure*";

"**TSXV**" has the meaning ascribed to such term under "*Corporate Structure"*;

"**Units**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History*"; and

"**Unit Warrant**" has the meaning ascribed to such term under "*General Development of the Business – Three Year History"*.

CORPORATE STRUCTURE

Name and Incorporation

EQ Inc. is the company resulting from the amalgamation under the *Business Corporations Act* (Ontario) (the "**OBCA**") of Cyberplex Inc. ("**Cyberplex**") and Emerald Technology Concept Inc. ("**Emerald**"), pursuant to articles of amalgamation effective as of January 1, 2000. The Company was incorporated under the OBCA on September 20, 1995, under the name "NewPath Capital Corporation". On June 13, 2013, the Company filed articles of amendment to change its name to "EQ Inc." The Company's head and registered office is located at 1235 Bay Street, Suite 401, Toronto, Ontario, M5R 3K4. The Common Shares are listed on the TSX Venture Exchange (the "**TSXV**") under the trading symbol "EQ".

The material amendments to the Company's articles are described as follows:

(a) on February 27, 1996, the Company filed articles of amendment to remove its share transfer restrictions;

(b) on September 13, 1996, the Company filed articles of amendment to: (i) change the size of the board of directors of the Company (the "**Board**") to a minimum of three and a maximum of nine directors; and (ii) consolidate the Company's issued and outstanding Common Shares on the basis of one post-consolidation Common Share for every two (1:2) issued and outstanding Common Shares;

(c) on April 17, 1997, the Company filed articles of amendment to: (i) change the name of the Company from "NewPath Capital Corporation" to "Cyberplex Inc."; and (ii) consolidate the issued and outstanding Common Shares on the basis of one post-consolidation Common Share for every one and one-half (1:1.5) issued and outstanding Common Shares;

(d) on January 1, 2000, pursuant to articles of amalgamation, Cyberplex and Emerald amalgamated to form a corporation known as "Cyberplex Inc.";

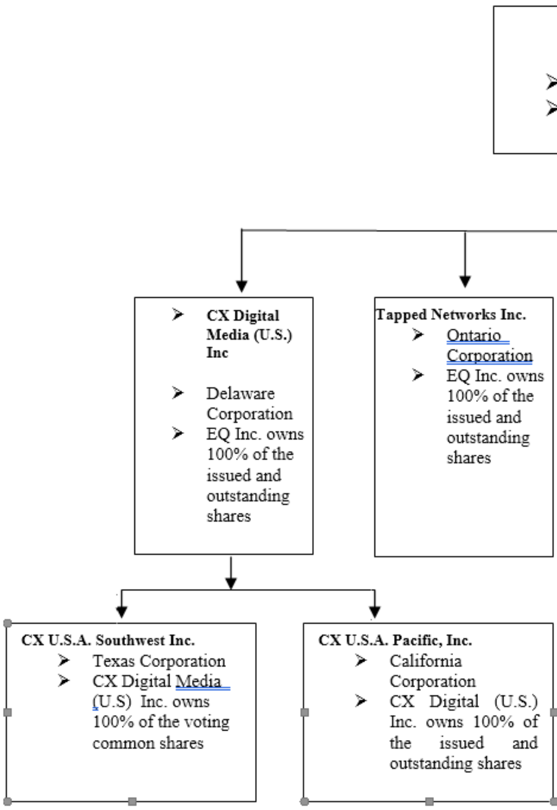
(e) on June 13, 2013, the Company filed articles of amendment to: (i) change the name of the Company from "Cyberplex Inc." to "EQ Inc.", and (ii) consolidate the issued and outstanding Common Shares on the basis of one post-consolidation Common Share for every eight (1:8) issued and outstanding Common Shares; and

(f) on June 1, 2019, the Company filed articles of amalgamation to amalgamate with one of its wholly-owned subsidiaries, CX Holdings Inc., which did not have any active business at the time of the amalgamation.

Intercorporate Relationships

As of the date of this AIF, the Company has the following wholly-owned subsidiaries:

EQ Inc. Corporate Structure



The Company's only operating subsidiaries are Tapped Networks Inc. ("**Tapped Mobile**"), EQ Advertising Group Ltd. ("**EQ Advertising**"), and Integrated Rewards Inc. ("**Paymi**"). The Company's US-based subsidiaries do not carry on any active business operations.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

2020

On March 5, 2020, the Company, through its wholly-owned subsidiary EQ Advertising, completed the acquisition and licensing of certain assets of Curate Mobile Ltd., including Juice Mobile, for aggregate cash consideration of $0.9 million and additional cash consideration to be paid out over the following 12 months based on the achievement of certain performance thresholds. The thresholds were not met and no additional cash consideration was paid.

On May 29, 2020, the Company accelerated the expiry date of 3,333,333 outstanding Unit Warrants, which were issued pursuant to the **"December 2019 Financing"** (a non-brokered private placement of 6,666,666 units ("**Units**") at a price of $0.75 per Unit for aggregate gross proceeds of $5.0 million. Each Unit is comprised of one Common Share and one-half of one common share purchase warrant (each whole warrant, a "**Unit Warrant**"). The terms of the Unit Warrants were such that the expiry date could be accelerated by the Company at any time if the closing price of the Common Shares on the TSXV was 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 December 2019 Financing (the "**Acceleration Trigger**"). The Company confirmed that as of the close of markets on May 25, 2020, the Acceleration Trigger had occurred. All of the Unit Warrants were exercised and approximately $3.3 million in proceeds were raised.

On July 9, 2020, the Company announced the expected additional financing of approximately $5.0 million as a result of the exercise of 3,333,333 previously issued Unit Warrants for proceeds of $3.3 million and a new $1.6 million credit facility with a Schedule I Canadian bank (the "**2020 Credit Facility**"). The 2020 Credit Facility carried interest at prime plus 2.5% per annum. The 2020 Credit Facility closed on July 22, 2020. The 2020 Credit Facility replaced the 2019 Credit Facility.

On October 27, 2020, the Company announced that a leading Canadian university had extended its partnership with the Company for a fifth mandate of approximately $0.4 million and would be utilizing the EQ platform to identify and engage the most sought-after students both domestically and internationally.

On November 11, 2020, the Company was selected by one of the world's largest book publishers (the "**Publisher**") to launch 10 new titles nationally across the United States. For this initial six figure engagement, the Publisher worked with EQ over multiple quarters to provide better insights into its customer base and targeting strategies in order to reduce the cost of acquisition.

2021

On January 19, 2021, the Company announced that it repaid in full the original principal amount of the "**2019 Notes"** (a private placement of non-convertible secured promissory notes with a principal amount of $1.7 million which carried interest at a rate of 12% per annum, calculated annually, and matured on January 19, 2021. Subscribers were issued one and one-half non-transferable warrants (the "**2019 Bonus Warrants**") for each dollar of principal amount of the 2019 Notes, with each 2019 Bonus Warrant being exercisable into one Common Share at a price of $0.66 per share). Following this repayment of the 2019 Notes, the Company also settled all its outstanding debt. Finally, at the time of repayment of the 2019 Notes, all issued and outstanding 2019 Bonus Warrants issued in connection with the 2019 Notes, were also exercised for aggregate proceeds of $1.7 million. The Company used the proceeds from the 2019 Bonus Warrants as partial repayment for the amounts owed under the 2019 Notes.

On January 21, 2021, the Company announced new commitments for data-driven marketing projects totaling more than $4.0 million for 2021. After successful proof of concept in 2020, the Company's clients agreed to spend a minimum of $4.0 million on new projects that incorporate EQ's data analysis and insights tools as well as its targeted media buying platform in 2021.

On February 19, 2021, the Company completed an overnight marketed offering of 6,250,000 Common Shares at a price of $1.60 per Common Share for aggregate gross proceeds of $11.5 million (the "**2021 Offering**"), which included the full exercise of the over-allotment option granted to a syndicate of underwriters including Canaccord Genuity Corp., as sole bookrunner, and Echelon Wealth Partners Inc., Eight Capital, and Desjardins Securities Inc. (collectively, the "**Underwriters**"). The Common Shares were offered by way of a short form prospectus filed in each of the Provinces of Canada, other than Quebec, and in the United States on a private placement basis to "qualified institutional buyers" pursuant to an exemption from the registration requirements of the United States Securities Act of 1933, as amended, and by private placement to eligible purchasers resident in jurisdictions other than Canada and the United States. The Company continues to use the net proceeds of the 2021 Offering to further develop its proprietary SaaS platform, artificial intelligence and machine learning practices, marketing and branding initiatives, research and development, expansion into the United States, and for working capital and general corporate purposes.

On June 16, 2021, the Company entered into a data and media services agreement with one of Canada's largest media agency holding companies. The initial term of the partnership is for 12 months and the budget of approximately $1.8 million consists of fees for platform licensing, data usage, insights, analytics, and execution.

On July 5, 2021, the Company completed its acquisition of all of the issued and outstanding shares of Paymi for an aggregate purchase price of $2.5 million (the "**Paymi Transaction**"). Upon the completion of the Paymi Transaction, Paymi became a wholly-owned subsidiary of the Company. In addition to a customary working capital adjustment, the purchase price payable on the closing of the Paymi Transaction consisted of a $2.5 million cash payment, of which $2 million was paid in a manner directed by Paymi and $0.5 million was placed into escrow for indemnity purposes. Of the funds held in escrow, $0.4 million will be released after 12 months and $0.1 million will be released after 18 months, in each case subject to any claims by the Company.

On October 26, 2021, the Company announced the appointment of Mark Finney to the role of Chief Revenue Officer and the promotion of Mark Ditkofsky to Executive Vice President Data Platforms and Strategy.

On November 30, 2021, the Company announced that a leading Canadian university extended its partnership with the Company for a sixth consecutive term. The agreement, which is valued at up to $5.5 million, has a 36-month term and two optional 24-month renewal terms.

2022

On February 10, 2022, the Company announced new commitments for data-driven marketing projects totaling more than $6.0 million for fiscal 2022. These upfront commitments surpassed those in fiscal 2021 by over 50%, largely due to the Company's successful data analytics and insight tools that are being used and licensed by the Company's partners.

On October 6, 2022, the Company announced that it has received a significant increase to their contract with one of the largest Financial Institutions in Canada. This extension will see EQ continue to deliver data services and media activation that has driven high impact customer acquisition for the bank. The contract expansion, valued at over $0.4 million comes as a result of EQ performing well above the established benchmarks and expectations.

On November 15, 2022, the Company announced a multi-year extension to continue servicing one of Canada's largest diversified media companies. This relationship over the past 3 years has accounted for significant revenue to EQ on an annual basis, with the initial engagement totaling over $6.0 million. EQ's strong performance over the last 3 years, and its continued investment in data and technology solutions, were the main factors for extending this relationship for an additional 3 years.

NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

The Company enables businesses to better understand, predict, and influence customer behaviour. Using unique data sets, advanced analytics, machine learning, and artificial intelligence, the Company creates actionable intelligence for businesses to attract, retain, and grow the customer base that matters 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.

LOCUS, a proprietary automated data processing technology, enables the Company to manage data at scale and enrich those data with proprietary first party and third party data sets. Utilizing machine learning and AI technology, this SaaS platform mines insights from movement and geospatial data, enabling businesses to close the loop between digital and real-world consumer actions.

ATOM, a proprietary programmatic media buying platform, enables the Company to purchase targeted media for its clients to influence consumer behaviour. Focusing specifically on mobile networks, ATOM allows clients to target its advertising initiatives through various demographic, geographic, and behavioural profiles.

Paymi, a cloud-based marketing platform that uses card linking technology to enable consumers to receive cash-back rewards for credit and debit card transactions and offers merchant partners the ability to understand more about their customers to drive greater sales and increase market share, was a recent acquisition of the Company which provided entry to the incentive and loyalty data market. By ingesting consumer transactions, Paymi creates aggregate, real-time, privacy centric, and anonymized customer spending profiles which offer our merchant partners a better understanding of their customers. This proprietary zero party data can be incorporated into the LOCUS platform to provide deeper actionable insights and offer direct-to-consumer clients a simple means to incentivize new customers.

The Company markets these platforms to customers to democratize an otherwise managed à la carte service into a convenient, transparent, and customizable self-service platform. Customers targeted are typically medium to large scale businesses, with physical locations, advertising agencies, and research firms who want to better understand their customers and potential customers.

Revenue

The Company's management reviews the performance of the Company on a consolidated basis and has integrated its services as one operating 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 while incorporating the most sophisticated advertising technologies, data analytics, and programmatic media buying capabilities into a single system.

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

The Company generates revenue across two geographical regions as follows:

	2022	2021
Canada	$ **10,962**	$ 11,969
United States	**17**	117
	$ **10,979**	$ 12,086

The components of revenue are as follows:

	2022	2021
Advertising Services	**$ 8,329**	$ 8,804
Data Sales	**2,650**	3,282
	$ 10,979	$ 12,086

Principal Markets

EQ serves clients across North America from its headquarters in Toronto, Ontario, Canada.

Products and Services

Advertising Services

The Company generates revenue from the delivery of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social, and mobile campaigns using its Programmatic Marketing Platform. The Company offers its services on a fully-managed and self-serve basis. These arrangements are evidenced by a fully executed insertion order ("**IO**"). Generally, an IO specifies the number and type of advertising impressions to be delivered over a specified time at an agreed upon price and performance objectives for an ad campaign based on client needs. Performance obligations are generally a measure of targeting as defined by the parties in advance, such as the number of ads displayed, consumer clicks on ads, or consumer actions (which may include qualified leads, registrations, downloads, inquiries, or purchases). These payment models are commonly referred to as cost per impression, cost per click, and cost per action. The performance obligations are satisfied over time as the volume of impressions are delivered up to the contractual maximum for fully-managed revenue and for self-serve. Revenue is recognized over time using the output method when the performance obligations are satisfied. Typically, campaigns run for a period of one to three months and are billed at the end of the month.

Data Sales

The Company provides customers with data research and analytics as well as the ability to track the effectiveness of advertisements. The IO specifies either a fixed fee arrangement for the research and analytics to be delivered for an agreed upon price or a variable payment model based on the number of impressions for results achieved through tracking. Revenue for fixed fee services is recognized at the point in time when the services are provided to the customer. The agreed upon price is billed to the customer at the end of the month in which these services were provided in full. On the other hand, performance obligations for variable rate services such as tracking are satisfied over time as the volume of impressions is delivered up to the contractual maximum, therefore, revenue is recognized over time using the output method as performance obligations are satisfied. Typically, data services are bundled with advertising services. Campaigns are generally for a period of one to three months and are billed at the end of the month.

Contents

Paymi is a downloadable app for iOS or Android that uses card linking technology. Paymi provides a seamless experience for members to securely connect their debit and credit cards and redeem cashback on their purchases. Paymi works with Merchant (“Client”) for offers to be placed on its app. Paymi members can access the offers on the app and can redeem on purchases. Upon confirmation of the purchase by a Paymi member, revenue is calculated by multiplying the transaction amount by a certain rate and is recorded as commission revenue, and cash back expense for Paymi members are recorded simultaneously. Commission revenue and expense arising from the provision of this service are recorded as revenue on a gross basis. Paymi bears all of the risk in delivering the cash-back rewards to its members regardless of the subsequent collection of funds from the Client. Paymi work with our Client to set the percentage of cash back offered (often at different tiers based on targeting) and then set a commission fee based on the competitive landscape. Furthermore, we often strategize with the client about the content of the reward campaigns to make recommendations about the total cash back amounts, minimum spends, and whether to have one broad offer or multiple segmented offers with different cash back amounts. Paymi has the right to enforce discretionary control of the Client and Paymi members over the transaction and pricing.

Other Services

The Company provides customers with consultation services to improve advertisement effectiveness and performance. These services are fixed fee arrangements for specified consulting services, and each project is considered distinct. Each performance obligation is satisfied over time as the services are provided to the customer. Revenue is recognized using the input method for time incurred compared to the estimated time for specified services.

Employees

As at December 31, 2022, the Company employed 42 employees.

Seasonality

Online advertising, online commerce, and internet usage are seasonally most robust in the fourth quarter ending December 31, and generally slower at the beginning of the Company's fiscal year. This is due to increased advertising activity during the holiday season occurring in the fourth quarter. Seasonality may be affected by customer mix. For example, retail advertisers often concentrate their advertising spending with the Company in the fourth quarter while entertainment advertisers tend to focus their spending on the launch and display of content, such as television shows or movies, irrespective of the time of year. The Company has seen slower than usual activity, which is consistent with general and industry-specific economic data. As a result, operating results will fluctuate quarter-by-quarter. Moreover, the Company's 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 from results for the whole year or by comparing results in a quarter with results from the same quarter for the previous year.

Specialized Skills and Knowledge

EQ's success depends to a significant extent on the abilities and efforts of its senior management and technical personnel. The loss of, or inability to identify, attract, hire, retain, and motivate highly skilled management, technical, sales and marketing, corporate development, and other key personnel could have a material effect on our business. LOCUS was developed in-house, and the Company currently has adequate key employees with technical, marketing, and industrial knowledge to keep LOCUS with distinct competitive advantages.

Competitive Conditions

The internet and mobile advertising markets are characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions, and changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices could render our existing products and services obsolete and unmarketable or require unanticipated technological or other investments. Our failure to adapt successfully to these changes could harm our business, results of operations, and financial condition.

EQ competes with advertising agencies, trading desks, and well-established digital advertising networks. As online advertising matures, and/or as other companies introduce new products and services, management of EQ believes that EQ has competitive advantages over its peers and is able to reinvest in the applicable technologies.

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 aims to 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 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.

Paymi, a cloud-based marketing platform that uses card linking technology to enable consumers to receive cash-back rewards for credit and debit card transactions and offers merchant partners the ability to understand more about their customers to drive greater sales and increase market share, was a recent acquisition of the Company which provided entry to the incentive and loyalty data market. By ingesting consumer transactions, Paymi creates aggregate, real-time, privacy centric, and anonymized customer spending profiles which offer our merchant partners a better understanding of their customers.

New Products

The Company launched a new SAAS product towards the end of the year Clear Lake ("CL"). CL is a proprietary consumer insight platform, to generate a higher margin recurring revenue line of business. CL, one of the largest investments in the Company's history, provides users with real-time access into one of Canada's largest and most comprehensive consumer purchasing panels. The data incorporates aggregated transactional spend data, geospatial insights on consumer location, other proprietary and exclusive data and the ability to execute against these data with recommended placement opportunities.

Intangible Properties

The Company has intangible assets associated with ATOM and LOCUS products. The intangible assets are the internally generated software that are the building blocks of the products. Other intangible assets have been derived from acquisitions, such as customer lists and revenue backlog.

Economic Dependence

We are susceptible to general economic conditions. A downturn in advertising and marketing spending by advertisers could adversely affect our operating results. Our operating results are subject to fluctuations based on general economic conditions, in particular any conditions that impact advertiser-consumer transactions and the technology sector. Deterioration in economic conditions could cause decreases or delays in advertising spending and could reduce and/or negatively impact our short-term ability to grow our revenues. In 2022, there were three customers that comprised 30%, 17% and 11% of the Company's total revenue from operations. No other customers on their own exceeded 10% of revenue. In 2021, there were two customers that comprised 29% and 18% of the Company's total revenue from operations. Although EQ has made efforts to diversify its customer base to avoid relying on a few large customers, in the advertising industry in which the Company operates, it is not uncommon for client concentration to result from large agency accounts that concentrate their buying through a few vendors.

<u>Changes to Contracts</u>

Changes to contracts could adversely affect our operating results. Any changes decreasing collectability of accounts receivable, or early termination of agreements due to changes in the marketplace, could negatively impact our results of operations. EQ does not have a material contract which, on its own, materially affects the operating results of EQ.

<u>Business Outlook</u>

The core focus of our business is to help *our* customers, through enhanced data analytics, better understand *their* customers. From our established beginnings as a provider of digital advertising campaigns, we identified a market need to enhance those deliverables with a strong and robust data analytics component. We have since become the primary resource to help businesses understand, predict, and influence customer behaviour using unique data sets, advanced analytics, machine learning, and artificial intelligence. EQ creates actionable intelligence for businesses to attract, retain, and grow the customers that matter most.

The Company invested significantly in 2022 in its consumer facing application Paymi, its unique zero party data assets, its propriety technology products as well as in the area of talent recruitment for data scientists, sales executives and marketing personnel. These investments continue to generate significant market interest and build momentum around the Company's focus of generating more recurring revenue lines of business. Early results from these investments are very exciting as they continue to show early traction and interest from clients across multiple verticals. The Company expects to launch new proprietary SaaS products in 2023. These products will combine unique data sets with additional insights from movement and geospatial data and will enable the business to close the loop between digital and real-world consumer actions and provide customers with even deeper insights and intelligence.

The Company continues to make these investments as its recurring revenue lines of business with enterprise-level product quality and leading customer satisfaction remain a major focus for the organization. EQ offers a range of solutions, providing clients with the flexibility to combine initiatives including audience building and engagement, targeted brand awareness campaigns, qualified lead generation, and e-commerce campaigns. We believe EQ presents a unique value proposition in the market in that it provides companies with a deeper understanding of their customers. We deliver true insight into behavioural and consumption patterns combined with insights, intelligence, and actions that form the foundation of performance. 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 service our clients in the future.

The Company also remains focused on building a leading digital marketing organization. By concentrating on performance and using the most effective data and analytics, we believe that the growth of our proprietary demand side platform, with its targeted audience creation and optimization, positions EQ in a solid position as the Company moves forward. This emphasis on data and analytics will also provide increasing opportunities to further establish the recurring revenue areas of the business.

As the Company continues to enhance its technological capabilities, win key pieces of new business, and work closely with innovative partners, we are ready to take advantage of all the opportunities ahead. While strategic initiatives such as acquisitions will be key to the Company's future, the Company will focus on growing its existing business units and related capabilities in the near term. 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.

RISKS AND UNCERTAINTIES AFFECTING OUR BUSINESS

Risks Relating to the Company

Although management has a confident outlook for the Company 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 to minimize the impact of potential risks and uncertainties. In management's opinion, the following factors, among others, should be considered when evaluating the Company's business and the results of future operations.

Demand for EQ's Products and Services

The market for technology products and consulting services is continuously evolving and becoming increasingly competitive. The Company's success depends on the Company's ability to create, develop, and deploy interactive strategies and solutions that service existing clients and attract new ones.

History of Net Losses

The Company has incurred net losses on an annual basis from 2009 to 2022 and has accumulated an approximate deficit of $91 million as of December 31, 2022. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses or the Company is not able to reduce expenses in a timely manner, the Company will not be profitable.

Restructuring

In the past, the Company has found it advisable to take measures to streamline operations and reduce expenses, including, but not limited to, reducing the Company's workforce, discontinuing products, and divesting business units. It may prove necessary to perform such measures again in the future. However, these measures may place significant strains on the Company's management team and employees and could impair the Company's development, marketing, sales, and customer support efforts. The Company may also incur liabilities from these measures, including liabilities from the early termination or assignment of contracts, the potential failure to meet obligations due to the loss of employees or resources, and resulting litigation. Such effects from restructuring and streamlining could have a negative impact on the Company's business and financial results. The Company underwent restructuring and decreased the headcount during the second half of 2022 and incurred $0.1 million of restructuring costs.

Debt and Equity Financing

The Company's anticipated growth and development activities will, in part, depend on the Company's ability to secure additional financing. The Company cannot be certain that financing will be available when needed, and, as a result, the Company may need to delay discretionary expenditure. In addition, the Company's level of indebtedness from time to time could impair its ability to obtain additional financing and to take advantage of business opportunities as they arise. Failure to comply with facility covenants and obligations could also expose the Company to the risk of seizure or forced sale of some or all of its assets. In addition, in the event of a bankruptcy, liquidation, or reorganization of the Company, creditors will generally be entitled to payment of their claims from the assets of the Company before any assets are made available for distribution to the holders of Common Shares. Therefore, in such an event, the holders of Common Shares will be effectively subordinated to the indebtedness and liabilities of the Company.

Intellectual Property Actions

The ownership and protection of trademarks, designs, patents, copyright, trade secrets, and other intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's branding and technology. Protecting the Company's current or future branding and technology by filing applications for trademarks, designs, patents, and copyright, and by maintaining trade secrets or other intellectual property rights, could be difficult, expensive, time-consuming, and unpredictable. Similarly, policing unauthorized use of the Company's branding and technology by enforcing these rights against unauthorized use by others could also be difficult, expensive, time-consuming, and unpredictable.

In addition, the Company's activities may infringe on patents, trademarks, or other intellectual property rights owned by others. If the Company is required to defend itself against intellectual property rights claims, it may spend significant time and effort and incur significant litigation costs, regardless of whether such claims have merit. If the Company is found to have infringed on the patents, trademarks, or other intellectual property rights of others, it may also be subject to substantial claims for damages or a requirement to cease the use of such disputed intellectual property, which could have an adverse effect on its operations. Such litigation or claims and the consequences that could follow could distract management of the Company from the ordinary operation of its business and could increase costs of doing business, resulting in a negative impact on the business, financial condition, or results of operations of the Company.

<u>Risks Relating to the Industry</u>

Dependence on the Internet

A significant portion of sales of the Company's products and services depend on the growth in the use of online and mobile technology. However, sales of the Company's online advertising rely, in large part, on the industry and infrastructure that has developed around online and mobile access and traffic. Inadequate development of a reliable network backbone or the lack of timely delivery of complementary products could affect the overall commercial viability of the marketplace. Reliance on the internet and mobile services affects the Company's performance with interruptions in service and other delays on websites. Global e-commerce and information exchange is constantly changing and evolving, and it is difficult to predict with any assurance of its long-term commercial success.

Trade Credit to Customers

The Company extends trade credit to most of its customers to facilitate the purchase of its services. The Company relies on the creditworthiness of such customers. Some of the Company's customers operate in a highly competitive, cyclical, or low margin business. Some are highly levered financially or experiencing negative cash flows such that they may need to refinance, restructure, file for bankruptcy protection, or go bankrupt. The failure of such customers to pay the Company promptly and in full under the terms of the trade credit the Company extends to them could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flow.

One of the effects of the global economic condition is that businesses tend to maintain their cash resources and delay in paying their creditors whenever possible. As a trade creditor, the Company lacks leverage, unlike secured lenders and providers of essential services. Should the economy further deteriorate, the Company may find that advertisers, their representative agencies or both may delay in making payments. Additionally, the Company may find that advertisers reduce internet advertising, which would reduce the Company's future revenues. These events will result in a number of adverse effects, including increasing the Company's borrowing costs, lowering the Company's gross profit margins, reducing the Company's ability to borrow under the line of credit, and reducing the Company's ability to grow the business. These events would have a material and adverse effect upon the Company.

Advertising on the Internet and Mobile Devices Loses its Appeal to Marketing Companies

The Company's revenue is generated in part by delivering advertisements that are targeted to certain groups of individuals. This business model may not continue to be effective in the future for a number of reasons, including, without limitation, to the following: click and conversion rates have always been low and may decline as the number of advertisements and ad formats increase; internet users can install "filter" or opt-out software programs which allow them to prevent advertisements from appearing on their computer screens or email inboxes; internet and mobile advertisements are, by their nature, limited in content relative to other media; marketing companies may be reluctant or slow to adopt or grow online advertising that replaces, limits, or competes with their existing marketing efforts; marketing companies may prefer other forms of advertising that the Company does not offer; advertisers may become adverse to certain forms of online promotions that may conflict with their brand objectives; and some advertisers have experienced issues with “click-fraud” or other forms of perceived low quality.

Real-Time Advertising Exchanges Fail to Attract Publishers

The Company provides services based on real-time advertising exchanges and their ability to attract publishers to offer web and mobile advertising inventory for purchase. The Company’s ability to generate significant revenue from advertisers will depend, in part, on the ability of such exchanges to demonstrate the effectiveness of the model to advertisers and publishers; and on the Company’s ability to attract and retain advertisers and publishers by differentiating the Company’s technologies and services from those of competitors. Intense competition has led to the proliferation of a number of alternative pricing and distribution models for internet and mobile advertising. These alternatives, and the likelihood that additional pricing alternatives will be introduced, make it difficult for the Company to predict the levels of advertising revenue or the margins that the Company, or the advertising industry in general, will realize in the future. Moreover, an increase in the amount of advertising on the web and mobile devices may result in a decline in click or conversion rates. Any decrease in click or conversion rates may make some of the Company’s performance pricing models less viable or less attractive for publishers and advertisers.

Government Regulation of the Internet

Companies engaging in online search, advertising, commerce, and related businesses face uncertainty related to future government regulation of the internet. Due to the rapid growth and widespread use of the internet, federal, state, and provincial governments are enacting and considering various laws and regulations relating to the internet. Furthermore, the application of existing laws and regulations to internet companies remains somewhat unclear. The Company’s business and operating results may be negatively affected by new laws. Existing or new regulations may expose the Company to material compliance costs and liabilities and may impede the growth of internet usage. Additionally, the Company’s third party data partners may be adversely affected by any new or existing laws.

As a company that provides services over the internet, the Company may be subject to an action brought under any existing or future laws governing online services. The Company may also be subject to costs and liabilities with respect to privacy issues. Several internet companies have incurred costs and pay penalties for violating their privacy policies. Further, it is anticipated that federal, state, and provincial governments may adopt new legislation with respect to user privacy. Additionally, foreign governments may pass laws which could negatively impact the Company’s business or may prosecute the Company for products and services based upon existing laws. The restrictions imposed by, and the cost of complying with, current and possible future laws and regulations related to the Company’s business could harm business and operating results. Further, any such laws that affect the Company’s third-party data partners could also indirectly harm business and operating results.

The United States Federal Trade Commission issued guidelines recommending that companies who engage in behavioural targeting take part in self-regulation to protect the privacy of consumers who use the internet. The Office of the Privacy Commissioner of Canada also released guidelines which state that information collected for online behavioural targeting is likely personal information that would require appropriate policy disclosures or other measures. While the

Company adheres to these guidelines, if any government enacted legislation addressing online behavioural targeting, it may adversely affect what the Company perceives to be a competitive advantage. This could increase the Company's costs and reduce future revenues.

System Failures

The Company's success depends on the continuing and uninterrupted performance of its systems. Sustained or repeated system failures that interrupt the Company's ability to provide services to customers, including failures affecting the Company's ability to deliver advertisements quickly and accurately and to process website visitors' responses to ads, would significantly reduce the attractiveness of the Company's services to advertisers and publishers. The Company's business, results of operations, and financial condition could also be materially and adversely affected by any systems damage or failure that impacts data integrity or interrupts or delays operations. The Company's computer systems are vulnerable to damage from a variety of sources, including telecommunications failures, power outages, malicious or accidental human acts, and natural disasters. Moreover, despite having established network security measures, the Company's servers are potentially vulnerable to physical or electronic break-ins, computer viruses, and similar disruptive problems in part because the Company cannot control the maintenance and operation of third-party data centers. Despite the precautions taken, unanticipated problems affecting the Company's systems could cause interruptions in the delivery of solutions in the future and the Company's ability to provide a record of past transactions. The Company's insurance policies may not adequately compensate the Company for any losses that may occur due to any failures in the Company's systems.

Competition

The internet and mobile advertising markets are characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions, and changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices could render the Company's existing products and services obsolete and unmarketable; it may also require unanticipated technology or other investments. The Company's failure to adapt successfully to these changes could harm its business, results of operations, and financial condition.

The market for internet and mobile advertising and related products and services is highly competitive. The Company expects this competition to continue to increase, in large part because there are no significant barriers to entry to the industry. Increased competition may result in price reductions for advertising space, reduced margins, and loss of market share. The Company's principal competitors include other companies that provide advertisers with internet and mobile advertising solutions and companies that offer real-time advertising services.

Competition for advertising placements among current and future suppliers of internet navigational and informational services, high-traffic websites, and internet service providers, as well as competition with other media for advertising placements, could result in significant price competition, declining margins, and reductions in advertising revenue. In addition, as the Company continues efforts to expand the scope of web services, the Company may compete with a greater number of web publishers and other media companies across an increasing range of different web services, including vertical markets where competitors may have advantages in expertise, brand recognition, and other areas. If existing or future competitors develop or offer products or services that provide significant performance, price, creative, or different advantages over those offered by the Company, its business, results of operations, and financial condition could be negatively affected. The Company also competes with traditional advertising media, such as direct mail, television, radio, cable, and print, for a share of advertisers' total advertising budgets. Many current and potential competitors enjoy competitive advantages over us, such as longer operating histories, greater name recognition, larger customer bases, greater access to advertising space on high-traffic websites, and significantly greater financial, technical, sales, and marketing resources. As a result, the Company may not be able to compete successfully. If the Company fails to compete successfully, the Company could lose customers or advertising inventory, and revenue and results of operations could decline.

Rapid Technological Change

The Company uses many different technologies to develop and deploy strategic solutions for customers. These technologies are rapidly changing. While the Company continuously researches and evaluates the tools used, there is no assurance that these technologies and the expertise built around them will continue to be applicable in the future. The Company’s success will depend on the ability to adapt to rapidly changing technologies, to enhance existing solutions, and to develop and introduce a variety of new solutions to address customers' and affiliates' changing demands. If the Company fails to keep pace with technological developments and the introduction of modern industry and technology standards on a cost-effective basis, the Company’s expenses could increase and the Company could lose customers.

Length of Sales Cycle

The development and implementation of the Company’s technology solutions and the adoption of the Company’s advertising services are often an enterprise-wide decision for prospective clients and, in the case of advertising services, may require multiple decision makers to provide their approvals, usually on a campaign-by-campaign basis. Lengthy sales cycles are frequent and may include an analysis of customer needs, a written proposal, presentations, and contract negotiations. Since these initiatives can involve a substantial commitment of capital, there are often delays in approving such large expenditures. The sales cycle varies, but typically it has ranged from one month to a year. During that time, the sales cycle can be affected by the client's budgetary constraints, internal acceptance reviews, and the overall economic climate, factors over which the Company has little or no control.

Content

The Company may be subject to third-party claims relating to content in the advertising delivered as it relates to violations of copyright, trademark, or other intellectual property rights of third parties or if the content is defamatory. Any claims or counterclaims could be time-consuming, could result in costly litigation, and could divert management’s attention.

General Risks

Stock Market Volatility

The trading price of the Common Shares has been, and may continue to be, subject to broad fluctuations. The Company's share price may fluctuate in response to a number of events and factors, including, without limitation, variations in quarterly operating results; announcements and implementations of technological innovations or new services by the Company or competitors; recommendations by market analysts; the operating and share price performance of, or other developments involving, other companies that investors may deem comparable to the Company; news reports or rumors relating to the Company; and general economic or market conditions. The Company's financial results have varied on a quarterly basis and are likely to continue to fluctuate in the future, which could cause the Company's share price to continue to be volatile or decline.

In addition, the stock market in general and the market prices for internet-based companies in particular have experienced volatility that has often been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of the Common Shares, regardless of operating performance. Volatility or a lack of positive performance in the Company's share price may adversely affect the Company's ability to retain key employees, all of whom have been granted options. A sustained decline in the Company's share price and market capitalization could lead to an impairment charge to non-financial assets.

Non-Financial Assets

The Company is required under IFRS to test goodwill for impairment at least annually and to review the Company's amortizable intangible assets for impairment when events or changes in circumstance indicate the carrying value may not be recoverable. Factors that could lead to impairment of goodwill and amortizable intangible assets include, but are not limited to, significant adverse changes in the business climate, prolonged periods of decline for the Company's business, or an announcement of adverse changes or events. The Company has recorded and may be required in the future to record additional charges to earnings if goodwill, amortizable intangible assets or other investments become impaired. Any such charge would adversely impact the Company's financial results.

Foreign Exchange Fluctuations

A significant portion of the Company's revenue is generally denominated in Canadian dollars. The Company's expenses are denominated in either Canadian or U.S. dollars. The Company's results of operations and financial condition are reported in Canadian dollars and the Company's functional currency is the Canadian dollar. The Company's earnings are impacted by fluctuations in the exchange rates between the Canadian and U.S. dollar in which the Company trades. A decrease in the value of the Canadian dollar relative to the U.S. dollar would increase the cost of sales in Canadian dollar terms realized by the Company. This would reduce the Company's operating margin and the cash flow available to fund its operations.

General Economic Weakness

The Company is susceptible to general economic conditions. A downturn in advertising and marketing spending by advertisers could adversely affect the Company's operating results. The

Company’s operating results are subject to fluctuations based on general economic conditions, particularly any conditions that impact advertiser-consumer transactions and the technology sector. Deterioration in economic conditions could cause decreases or delays in advertising spending and reduce or negatively impact the Company’s short-term ability to grow revenues. Further, any decreased collectability of accounts receivable or early termination of agreements due to deterioration in economic conditions could negatively impact the Company’s results of operations.

Dependence on Key Personnel

The Company’s success depends to a significant extent on the abilities and efforts of senior management and technical personnel. The loss of, or inability to identify, attract, hire, retain, and motivate highly skilled management, technical, sales and marketing, corporate development, and other key personnel could have a materially adverse effect on the Company’s business. Qualified personnel with experience relevant to the Company’s business are scarce and competition to recruit them is significant. If the Company fails to successfully hire and retain a sufficient number of highly qualified employees, the Company may have difficulties supporting customers or expanding the business. Although the Company has non-competition and non-disclosure agreements with all of its executive officers and senior managers, any loss of key personnel could have an adverse effect on the Company's business. The loss of the services of any member of the Company’s senior management team, or any other key employees, could divert management’s time and attention, increase expenses, and adversely affect the Company’s ability to conduct business efficiently.

In light of current market conditions, the value of options granted to employees may cease to provide sufficient incentives to the Company’s employees. Like many technology companies, the Company currently uses equity-based awards to recruit technology professionals and senior level employees. With respect to those employees to whom the Company issues options, the Company faces a significant challenge in retention if the value of these options is either not substantial enough or so substantial that the employee leaves after their options have vested. If the Company’s share price does not increase significantly above the exercise prices of the Company’s options, the Company may need to issue new options to motivate and retain executives; or if option programs become impracticable, the Company may need to grant other equity incentives or increase other forms of compensation. The Company may undertake or seek shareholder approval to undertake other equity-based programs to retain employees, which may be viewed as dilutive to the Company’s shareholders or may increase the Company’s compensation costs. Additionally, there can be no assurance that any such programs will be successful in motivating and retaining the Company’s employees.

Periodic Litigation

The Company may from time to time become a party to claims and litigation proceedings, which are generally related to contract disputes. Such matters are subject to many uncertainties, and the Company cannot predict with assurances their outcome and ultimate financial impact. There can be no guarantee that any 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 from these claims could be materially adverse to the Company. The Company is currently in an ongoing legal dispute pertaining to the Tapped Agreement. See “Legal Proceedings and Regulatory Actions” for further details.

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 $2.8 million 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 $1.4 million in the first year and the remaining $1.4 million 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 and the upper court upheld the decision and the Company has settled the second year earnout in full.

Acquisitions and Investments

The Company continually evaluates opportunities to acquire new technologies and businesses. We have acquired, and have made strategic investments in, a number of companies in the past, such as Paymi, and we expect to make additional acquisitions and strategic investments in the future. Such transactions may result in dilutive issuances of our equity securities, the use of our cash resources, the incurrence of debt and contingent liabilities, and amortization expenses related to intangible assets acquired, some of which may occur even if the acquisition is ultimately not consummated, any of which could materially and adversely affect the Company’s business, financial condition, and results of operations. Integration challenges include finance, information technology, facilities, and customer support. The diversion of management’s attention and any difficulties encountered in the integration process could harm our business. Our acquisitions and strategic investments to date were accompanied by a number of risks, including:

- uncertainties associated with operating in a new market and working with new customers;
- the difficulty of assimilating the operations and personnel of our acquired companies into our operations;
- the potential disruption of our ongoing business and distraction of management;
- the incurrence of additional operating losses and expenses of the businesses we acquired or in which we invested;
- the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;
- the failure to successfully further develop acquired technology resulting in the impairment of amounts currently capitalized as intangible assets;
- litigation or other claims in connection with acquisitions, acquired companies, or companies in which we have invested;
- the impairment of relationships with, or failure to retain, employees of acquired companies or our existing employees as a result of integration of new personnel;

- the difficulty of integrating operations, systems, and controls as a result of cultural and regulatory systems and operational differences; and
- the impact of known potential liabilities or liabilities that may be unknown, including as a result of inadequate internal controls, associated with the companies we acquired or in which we invested.

We are likely to experience similar risks in connection with our future acquisitions and strategic investments. Our failure to be successful in addressing these risks or other problems encountered in connection with our past or future acquisitions and strategic investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments or incur unanticipated liabilities and harm our business generally.

Conflicts of Interest

The Company could be subject to potential conflicts of interest if any of its officers and directors are engaged in a range of business activities. These business interests may require significant time and attention of the Company's executive officers and directors. In some cases, the executive officers and directors may also have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company and its affairs, which could adversely affect Company operations. In addition, the Company could also become involved in other transactions which conflict with the interests of the Company's directors and officers who may deal with persons, firms, institutions, or corporations with which the Company may be dealing. The interests of these persons could conflict with the Company's interests. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of directors, any director who has such a conflict will abstain from voting for or against the approval of any plans or terms related to said conflict of interest. In accordance with applicable laws, directors are required to act honestly, in good faith, and in the Company's best interests.

Cyber Security

The Company manages cyber security risks by ensuring appropriate technologies, processes, and practices are effectively designed and implemented to help prevent, detect, and respond to threats as they emerge and evolve. The primary risks to the Company include, but are not limited to: loss of data, destruction or corruption of data, compromise of confidential customer or employee information, leaked information, disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage, and reputational damage. Any of said risks could have a materially adverse effect on the Company's competitive position, financial condition, or results of operations.

The Company applies technical and process controls in line with reasonable, industry-accepted standards to protect its information assets and systems. The Company may need to expend significant capital and other resources to protect against the threat of security breaches or alleviate problems caused by any breach. Identifying and eliminating a security breach, virus, or other external intrusion may require interruptions, delays, or cessation of service to users and customers transacting business with the Company. Any infrastructure and network security breach may lead to a material disruption of the Company's business and/or the loss of business information, which may materially and adversely affect the Company's business. Risks relating to such a security breach may include, among other things: a materially adverse impact on the Company's business and future financial results due to the theft, destruction, loss, misappropriation, or release of confidential data; possible negative publicity resulting in reputation or brand damage with customers, vendors, or peers due to the theft, destruction, loss, misappropriation, or release of confidential data; operational or business delays resulting from the disruption of information technology systems and subsequent cleanup and mitigation activities; and potentially adverse effects on the Company's compliance with regulatory laws and regulations. Repeated or substantial interruptions could result in the loss of customers and reduced revenues.

Fraudulent or Illegal Activity by the Company's Employees, Contractors, and Consultants

The Company is exposed to the risk that its employees, independent contractors, and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless, and/or negligent conduct that violates various laws and regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks and losses or in protecting the Company from governmental investigations, other actions, or lawsuits stemming from a failure to comply with such laws and regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal, and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a materially adverse effect on the Company's business, financial condition, and results of operations.

Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company and the Company's revenue per share. The Board has the discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company under the Company's Option Plan, and upon the exercise of any convertible securities. The Company may also issue Common Shares to finance future acquisitions. The Company cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares.

Costs of Maintaining a Public Listing

As a public company, there are costs associated with legal, accounting, and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the TSXV require listed companies to, among other things, adopt corporate governance and related practices and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would on communication and other activities typically considered important by publicly traded companies.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

DIVIDENDS

No dividends have been paid on Common Shares of the Company in any of its three most recently completed financial years. The future declaration and payment of dividends will be dependent upon the financial requirements of the Company to fund future growth and other factors that the Board may consider appropriate in the circumstances.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The authorized capital of the Company consists of an unlimited number of Common Shares. As of the date of this AIF, there are 69,468,957 Common Shares issued and outstanding.

Each Common Share entitles the holder thereof to: (i) receive notice of, attend, and vote at all meetings of the shareholders of the Company, and each Common Share confers the right to one vote at all such meetings; (ii) receive and participate equally and rateably in any dividends declared on the Common Shares, if and when declared by the Board in its sole discretion; and (iii) receive and participate equally and rateably in any distribution of the assets of the Company in the event of liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs.

Stock Options

At the Company's annual and special meeting held on May 27, 2022, shareholders approved the adoption of a 10% fixed stock option plan**,** pursuant to which the Company may grant stock options ("**Options**") to eligible participants. Under the Plans, the maximum aggregate maximum number of Common Shares that may be issued is 6,943,562 Common Shares, representing 10% of the issued and outstanding Common Shares.

As at the date of this AIF, there are 1,936,000 Options issued and outstanding.

For a description of the Plans, please refer to the Company's management information circular, as filed on SEDAR, at www.sedar.com.

MARKET FOR SECURITIES

The Common Shares trade on the TSXV under the symbol "EQ.V". The following table sets forth the range of high and low prices per Common Share and total monthly volumes of shares traded on the TSXV during the financial year ended December 31, 2022.

Month	Trading Volume	Price Range	
		Low	*High*
2022			
January	327,700	$1.14	$1.23
February	146,400	$1.12	$1.18
March	338,600	$1.12	$1.17
April	495,600	$1.10	$1.24
May	359,400	$1.14	$1.29
June	195,500	$1.15	$1.28
July	188,700	$1.12	$1.20
August	149,600	$1.11	$1.19
September	456,500	$1.09	$1.19
October	399,700	$1.07	$1.17
November	434,100	$0.99	$1.15
December	439,600	$1.05	$1.29

DIRECTORS AND EXECUTIVE OFFICERS

The articles of the Company provide for a minimum of three (3) directors and a maximum of nine (9) directors. Each director holds office until the close of the next annual general meeting of the Company, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated.

The following table lists the names of the directors and executive officers of the Company, their province/state and country of residence, their positions and offices held within the Company, their principal occupations during the past five years, the date on which they first became directors of the Company, and the number and percentage of Common Shares which is beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them.

Name and Place of Residence	Position(s) Held	Principal Occupation During Previous Five Years	Director Since	Number (and Percentage) of Common Shares Owned or Controlled
Geoffrey Rotstein Toronto, Ontario, Canada(1)(3)	President, Chief Executive Officer and Director	President and Chief Executive Officer of EQ; Director, Cann-Is Capital Corp.; Director, AirIQ Inc.	1997	3,852,715 (5.55%)
Peter Kanniah Pickering, Ontario, Canada	Chief Financial Officer	Chief Financial Officer and Corporate Secretary of EQ	N/A	85,000 (0.12%)
Dilshan Kathriarachchi Toronto, Ontario, Canada (5)	Chief Technology Officer	Chief Technology Officer of EQ	N/A	1,631,975 (2.35%)
Mark Finney (6) Toronto, Ontario, Canada	Chief Revenue Officer	Chief Revenue Officer of EQ; Vice president of Strategic Sales at Bell Media	NA	Nil
Vernon Lobo (1)(2)(3)(4) Toronto, Ontario, Canada	Director	Managing Director and Founder, Mosaic Venture Partners Inc., a private venture capital firm; Director, AirIQ Inc.; Director, MiniLuxe Holding Corp.; Director, TECSYS Inc.; Director, Flow Capital Inc.; Director Pivotree Inc.	1997	5,477,688 (7.89%)
James Beriker (1)(2)(3) San Francisco, California, United States	Director	Executive Vice President Global Venture Success of Mach49; Chief Executive Officer, Life Cycle Group; President, CEO & Director - Simply Hired, Inc.; President, CEO & Director - Munchery, Inc.; Present President, CEO & Director Rolliyo, Inc.	2020	Nil

Notes:

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance Committee.
(4) Chairman of the Audit Committee.
(5) Mr. Dilshan ceased to be an insider of the Company on November 7, 2022. The number shares owned by Mr. Dilshan reflected the balance as of November 7, 2022.
(6) Mr. Finney ceased to be an insider of the Company on March 30, 2023.

Shareholdings of Directors and Officers

As at the date of this AIF, the directors and executive officers of the Company and their associates, as a group, own of record or beneficially, directly or indirectly, or exercise control or direction over 9,415,403 or 13.55% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties, or Sanctions

No director or executive officer of the Company is, as at the date of this AIF, or has been within the last 10 years, a director, chief executive officer, or chief financial officer of any company (including EQ) that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an "**Order**"), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer, or chief financial officer of such company; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer, or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer, or chief financial officer of such company.

Except as disclosed below, no director or executive officer of the Company or, to the best of the Company's knowledge, any shareholder holding a sufficient number of Common Shares to materially affect the control of the Company:

(a) is, as at the date of this AIF, or has been within the last 10 years, a director of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets;

(b) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets;

(c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Company.

James Beriker, a director of the Company, was the Chief Executive Officer and a director of Munchery, Inc. when it filed for bankruptcy on February 28, 2019, in the United States Bankruptcy Court (Northern District of California, San Francisco Division), with the final decree having been entered on January 4, 2021.

Conflicts of Interest

To the best of the Company's knowledge, other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Company and any directors or officers of the Company, except that certain of the directors and officers serve as directors, officers, promoters, and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director, officer, promoter, or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunities that require them to disclose any conflicts of interest, and the Company will rely upon such laws in respect to any conflicts of interest for, or breaches of duty by, any of its directors or officers. All such conflicts will be disclosed by such directors and officers in accordance with the OBCA, and they will govern themselves to the best of their ability in accordance with the obligations imposed upon them by the law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the best of the Company's knowledge, there are no material regulatory actions to which the Company is a party, has been a party to, or to which any of its property is or was the subject matter, and no such proceedings or actions are known by the Company to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below, none of the directors or executive officers of the Company, or persons or companies that beneficially own, control or direct, directly or indirectly, more than 10% of the issued and outstanding Common Shares, or any associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transactions in which the Company has participated within its three most recently completed financial years or during its current financial year that have materially affected or are reasonably expected to materially affect the Company.

On August 19, 2019, the Company completed the private placement of the 2019 Notes. An aggregate of $0.9 million principal amount of the 2019 Notes was purchased by certain directors and officers of the Company: Vernon Lobo, Geoffrey Rotstein, and Dilshan Kathriarachchi. In connection with the issuance of the 2019 Notes, Messrs. Lobo, Rotstein, and Kathriarachchi were issued an aggregate of 1,332,448, 2019 Bonus Warrants.

On January 19, 2021, the Company repaid the 2019 Notes. An aggregate of $0.9 million in principal amount plus interest of $0.2 million was paid to certain directors and officers of the Company: Vernon Lobo, Geoffrey Rotstein, and Dilshan Kathriarachchi.

On December 29, 2021, the corporation provided certain employees with $0.2 million of short terms loans to cover the taxes owing in terms of the option excise. The Loans were provided pursuant to promissory notes issued to the Corporation by each employee (collectively, the "**Promissory Notes**"). The Promissory Notes are fully secured by all of the options exercised. The employees paid back $0.1 million. The remaining amount of the Promissory Notes of as of April 28, 2023, was $0.1 million.

See "*General Development of the Business – Three Year History*" for further details relating to the foregoing transactions.

AUDIT COMMITTEE

The Company's audit committee (the "**Audit Committee**") is responsible for assisting the Board in monitoring the performance of management, ensuring that the Company is operating in an ethical manner, and encouraging management to demonstrate a strong commitment to integrity. The Audit Committee is also responsible for providing assistance to the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Company and the investment community.

The Audit Committee's primary responsibilities in this regard are to: (i) oversee the accounting and financial reporting process of the Company and the audit of its financial statements; (ii) monitor the Company's financial reporting process and internal control systems; (iii) review and appraise the audit activities of the Company's independent auditors; (iv) meet periodically with management and with the independent auditors; and (v) assess the relevance and reliability of the Company's financial reports to ensure they accurately portray the underlying economic circumstances and financial performance of the Company.

Audit Committee Charter

The Audit Committee's mandate is to promote and ensure that the Company complies with high standards of financial reporting, risk management and ethical behavior. The Audit Committee charter is attached hereto as Schedule "A".

Composition, Relevant Education and Experience of Audit Committee

As of the date of this AIF, the Audit Committee is composed of the following members:

Name of Audit Committee Member	Is the member "Independent"? (1)	Is the member "Financially Literate"? (2)	Relevant Education and Experience
Vernon Lobo(3)	Yes	Yes	Mr. Lobo is the Managing Director and founder of Mosaic Capital Partners, a private investment firm. Mr. Lobo began his career in software development and engineering at Nortel Networks Corporation where he received a full scholarship to attend Harvard Business School. Mr. Lobo was a consultant with McKinsey & Company, where he led engagements in the firm's telecommunications and information technology practices. Mr. Lobo currently sits on the boards of several private companies, as well as AirIQ Inc., MiniLuxe Holding Corp., TECSYS Inc., Pivotree Inc. and Flow Capital Corp., all publicly traded corporations. Mr. Lobo holds a B.ASc. in Engineering from the University of Waterloo and an M.B.A. from Harvard Business School.
Geoffrey Rotstein	No	Yes	Mr. Rotstein worked as a Chartered Accountant at Pricewaterhouse Coopers in Toronto, a major global accounting firm and received his C.A. designation in 1996 and his M.B.A. degree from the Schulich School of Business in Toronto in 1992. Mr. Rotstein is the President and Chief Executive Officer and a Director of the Corporation. Prior to that, he was the Chief Financial Officer of the Corporation from March 1997 to December 2005. Mr. Rotstein was the past Chair of the Programmatic Committee for IAB Canada. Mr. Rotstein sits on the board of directors of AirIQ Inc., Cann-Is Capital Corp., was a member of the Young Presidents' Organization and has been on the board of directors and advisory committees for various private and not-for-profit organizations.
James Beriker	Yes	Yes	Mr. Beriker is the Executive Vice President Global Venture Success of Mach49, an early-stage venture initiative firm based in California, USA and Singapore. Mr. Beriker was the founder and Chief Executive Officer of LifeCycle Group, an advisory firm based in Silicon Valley. Mr. Beriker began his career practicing corporate law in Los Angeles, representing primarily technology start-ups in financing and M&A transactions. From 1999-2020, Mr. Beriker held Chief Executive Officer and director positions at venture-backed technology startups, including Search123 (acquired), Efficient Frontier (acquired), Dapper (acquired), Simply Hired (acquired), and Munchery. Mr. Beriker also held operating executive positions at Yahoo! and ValueClick, both US-based public companies, and independent board positions at iSocket (acquired), Kanjoya (acquired) and EyeView. Mr. Beriker holds a BA from Trinity College, University of Toronto and an LLB. from Dalhousie University Schulich School of Law.

Notes:
(1) "Independence" is defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**").
(2) "Financially Literate" is defined in National Instrument 52-110.
(3) Chair of the Audit Committee.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Company's external auditors not been adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on exemptions in relation to "De Minimis Non-Audit Services" or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee shall pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor.

External Auditor Service Fees

The following table sets forth the aggregate fees incurred by the Company's audit and tax services performed by the Company's auditor, RSM Canada LLP, for the years ended December 31, 2022 and 2021.

	2022 ($)	**2021 ($)**
Audit Fees	105,000	95,000
Tax Fees	-	19,000
Total	**105,000**	**114,000**

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is TSX Trust Company, which is located at 301 - 100 Adelaide Street West, Toronto, ON, M5H 4H1.

MATERIAL CONTRACTS

Except for those contracts described under this AIF, the Company has not entered into any other material contracts.

INTERESTS OF EXPERTS

RSM Canada LLP is the auditor of the Company and has performed the audit in respect of the audited annual consolidated financial statements of the Company as at and for the years ended December 31, 2022 and 2021. RSM Canada LLP is independent of the Company in accordance with the applicable rules of professional conduct.

To the knowledge of management, as of the date of this AIF, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found under the Company's profile on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans is contained in the Company's management information circular dated April 12, 2023.

Additional financial information for the Company is provided in the Company's financial statements and management’s discussion and analysis for the most recently completed financial year.

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

By appropriate resolution of the board of directors (the "**Board**") of EQ Inc. ("**EQ**" or the "**Company**"), the audit committee (the "**Committee**") has been established as a standing committee of the Board with the following terms of reference:

<u>TERMS OF REFERENCE:</u>

1. PURPOSE

1.1 The Committee's purpose is to:

(a) assist Board oversight of:

(i) the integrity of the Company's financial statements;

(ii) the Company's compliance with legal and regulatory requirements;

(iii) the independent auditor's qualifications and independence;

(iv) the performance and integrity of the Company's internal controls, internal audit function, and management information systems; and

(v) any other matters as defined by the Board; and

(b) prepare any report that is required by law to be included in the Company's annual proxy statement relating to the audit committee.

2. COMMITTEE MEMBERSHIP

2.1 <u>Number of Members</u> – The Committee shall consist of no fewer than three directors.

2.2 <u>Independence of Members</u> – each member of the Committee shall be:

(a) a director who is not an employee of EQ; and

(b) a director who is independent, as such term is defined in the Canadian Securities Administrators National Instrument 52-110 - *Audit Committees* ("**NI 52-110**").

2.3 Financial Literacy –

(a) Requirement – each member of the Committee must be financially literate within the meaning of NI 52-110.

2.4 Accounting or Related Financial Experience – the majority of the Committee members shall have accounting or related financial management experience or expertise.

These attributes may have been acquired through any one or more of the following means:

(a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant, or auditor or experience in one or more positions that involve the performance of similar functions;

(b) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, or auditor or person performing similar functions, or experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(c) other relevant experience.

2.5 Annual Appointment of Members – The Committee and its Chairperson shall be appointed annually by the Board and each member shall hold office until the next annual meeting of shareholders, unless he or she resigns, is removed from the position, or ceases to be a director of the Company.

3. COMMITTEE MEETINGS

3.1 Time and Place of Meetings – the time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly.

3.2 In Camera Meetings - As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee reviews the quarterly financial statements, the Committee shall meet separately with each of:

(a) management at the quarterly sessions; and

(b) the external auditors on an annual basis.

3.3 Special Meetings – Any member of the Committee or the external auditors may call a meeting of the Committee.

3.4 Notice – Notice of the time and place of every meeting shall be given either in writing, verbally, by facsimile, or by phone to each member of the Committee, the Chairman of the Board, the Chief Executive Officer of the Company, and the Chief Financial Officer of the Company at least 48 hours prior to the time fixed for the meeting. The external auditor of the Company shall be given notice of every meeting of the Committee, and, at the expense of the Company, shall be entitled to attend and be heard thereat. If requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

3.5 Quorum – A majority of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by teleconference.

3.6 Secretary – The Committee shall appoint a Secretary to the Committee who need not be a director or officer of the Company.

3.7 Records – minutes of meetings of the Committee shall be recorded and maintained by the Secretary to the Committee and shall be subsequently presented to the Committee for review and approval.

4. OUTSIDE ADVISORS

4.1 Retaining and Compensating Advisors – the Committee has the authority to retain such outside legal, accounting, or other advisors as it determines necessary to carry out its duties and shall not be required to obtain the approval of the Board in order to retain or compensate such advisors. The Committee also has the authority to set and pay the compensation for any advisors employed by the Committee and to communicate directly with internal and external advisors.

5. REMUNERATION OF COMMITTEE MEMBERS

5.1 Director Fees Only – no member of the Committee may earn fees from EQ or any of its subsidiaries other than director's fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive) which include fees paid to directors who serve on Board committees.

5.2 Other Payments – for greater clarity, no member of the Committee shall accept any consulting, advisory or other compensatory fee from the Company.

6. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

6.1 Financial and Related Information –

(a) Annual Financial Statements – the Committee shall review and discuss with management and the external auditor, EQ's annual financial statements and related MD&A and report thereon to the Board before recommending such information is publicly disclosed.

(b) Interim Financial Statements – The Committee shall review, discuss with Management and recommend for approval to the Board, EQ's interim financial statements and related MD&A before they are released or publicly disclosed.

(c) Prospectus Type Documents – the Committee shall review, discuss with management and recommend for approval to the Board any prospectus type documents.

(d) Accounting Treatment – The Committee shall review and discuss with management and the external auditor:

(i) the quality of, and major issues regarding, the Company's accounting principles and financial statement presentations, including all critical accounting policies and practices used and any significant changes in the Company's selection or application of accounting principles;

(ii) any analysis prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information with IFRS that the external auditor has discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditor;

(iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of the Company;

(iv) major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; and

(v) any material written communications between the external auditor and the Company including any management letter or schedule of unadjusted differences.

(e) Disclosure of Other Financial Information – The Committee shall review:

(i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases;

(ii) the MD&A;

(iii) all financial information and earnings guidance (if any) provided to analysts and rating agencies; and

(iv) all press releases (paying particular attention to any use of "pro forma: or "adjusted" non-IFRS information).

The Committee is responsible for being satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and must periodically assess those procedures.

6.2 External Auditor

(a) Authority with Respect to external auditor - As representative of EQ's shareholders, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of the external auditor (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. In this capacity, the Committee shall have sole authority for recommending the person to be proposed to EQ's shareholders for appointment as external auditor and whether at any time the incumbent external auditor should be removed from office. The Committee shall require the external auditor to confirm in an engagement letter to the Committee each year that the external auditor is accountable to the Board and the Committee as representatives of shareholders.

(b) The Company's external auditor is required to report directly to the Committee.

(c) The Committee shall approve the scope of the external auditor's reviews and all related fees.

(d) <u>Competency of External Auditor</u> - Once each year (or otherwise as the Chairman may consider appropriate) the Committee shall obtain and review a report by the external auditor describing:

(i) the external auditor's internal quality-control procedures;

(ii) any material raised by the most recent internal quality-control review, or peer review, of the external auditor's firm or by any injury or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditor's firm, and any steps taken to deal with any such issues; and

(iii) all material relationships between the external auditor and the Company (for the purposes of assessing the auditor's independence).

(e) <u>Review of Audit Problems</u> - The Committee shall review with the external auditor any audit problems or difficulties and management's response.

(f) Independence – The Committee shall satisfy itself as to the independence of the external auditor. As part of this process:

(i) the Committee shall require the external auditor to submit on a periodic basis to the audit committee, a formal written statement delineating all relationships between the auditor and the listed company and that the Committee is responsible for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the outside auditor and for recommending that the Board of Directors take appropriate action in response to the auditor's report to satisfy itself or the auditor's independence; and

(ii) the Committee must pre-approve any non-audit services provided by the auditor and shall consider whether these services are compatible with the external auditor's independence.

6.3 Internal Financial Reporting & Controls -

(a) Regular Reporting - EQ's finance staff shall report regularly to the Committee and the Committee shall have direct communication channels with them to discuss and review specific issues as appropriate.

(b) Oversight of Internal Controls - The Committee shall oversee Management reporting on EQ's internal controls. The Committee shall periodically review and approve the mandate and plan of the internal audit department.

(c) Auditors Management Letter - The Committee is responsible for reviewing major points contained in the Auditor's Management letter resulting from control evaluation and testing.

6.4 Risk Assessment and Risk Management - the Committee shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

6.5 Legal Compliance - On at least an annual basis, the Committee shall review any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, including tax and financial reporting laws and regulations, and inquiries received from regulators.

7. REPORTING TO THE BOARD

7.1 Regular Reporting - The Committee shall report to the Board following each meeting of the Committee and at such times as the Chair may determine to be appropriate.

8. EVALUATION OF COMMITTEE PERFORMANCE

8.1 Establish Process - The Committee shall follow the process established by the Board's Corporate Governance Committee for assessing the performance of the Committee.

8.2 Amendments to Mandate -

(a) Review by Audit Committee - The Committee shall recommend to the Board on an annual basis, any amendments it considers desirable to this mandate.

(b) Review by Board - The Board will review and reassess the adequacy of the mandate on an annual basis and such other time as it considers appropriate.

9. LEGISLATIVE AND REGULATORY CHANGES

9.1 Compliance - It is the Board's intention that this mandate shall reflect at all times all legislative and regulatory requirements applicable to the Committee. Accordingly, this mandate shall be deemed to have been updated to reflect any amendments to such legislative and regulatory requirements and shall be formally amended at least annually to reflect such amendments.

10. SUBMISSION SYSTEMS AND TREATMENT OF COMPLAINTS

10.1 The Committee is responsible for establishing procedures for:

(a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

11. HIRING POLICIES

11.1 The Committee is responsible for reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.