

EQ INC.



**Management's Discussion and Analysis
For the three and nine months ended September 30, 2023**

November 16, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

The following discussion and analysis of the financial condition and results of EQ Inc. (also referred to as “we”, “us”, “our”, “EQ”, “EQ Works”, or the “Company”), prepared as of November 16, 2023, has been reviewed and approved by the Company’s Board of Directors, on the recommendation of its Audit Committee, prior to filing. It should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements (“interim financial statements”) as at and for the three and nine months ended September 30, 2023, and notes, comprising a summary of significant accounting policies and other explanatory information, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are reported in Canadian dollars. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company’s website at www.eqworks.com.

Certain statements in this MD&A may constitute forward-looking information, including future-oriented financial information and financial outlooks, within the meaning of applicable securities laws. Forward-looking statements may relate to the Company’s future outlook and anticipated events or results and may include statements regarding the Company’s future financial position, among other things, the beliefs, plans, objectives, strategies, estimates, intentions or expectations of the Company, including as they relate to its financial results, its ability to execute on its investing and business strategies on the Company’s business and operations. 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 the Company to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements, by their nature, are based on certain assumptions regarding expected growth, management’s current plans, estimates, projections, beliefs, opinions, and business prospects and opportunities (collectively, the “Assumptions”). While the Company considers these Assumptions to be reasonable, based on the information currently available, they may prove to be incorrect.

It is important to note that:

- There is no assurance that any forward-looking statements will materialize.*
- The results or events predicted herein may differ from actual results or events.*
- Unless otherwise indicated, forward-looking statements describe expectations as of November 16, 2023.*
- The Company 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 including the availability of financing on reasonable terms, general business and economic conditions. These risks, uncertainties, and other factors include, but are not limited to, the following: overall economic conditions, rapid technological changes, dependence on the internet, concentration of revenues with a small number of customers, demand

for the Company's product, the introduction of competing technologies, competitive pressures, network restrictions, fluctuations in foreign currency exchange rates, and other similar factors that may cause the actual results, performance, achievements or developments of the Company to differ materially from the results, performance, achievements or events expressed or implied by such forward-looking statements. Additional information concerning risks and uncertainties affecting the Company's business and other factors that could cause financial results to fluctuate is set forth below in "Risks and Uncertainties Affecting the Company's Business," as well as elsewhere herein. It can also be found in the Company's filings with Canadian securities regulatory authorities. Readers are cautioned not to place undue reliance on such statements. The Company does not intend and disclaims any obligation to update or revise any forward-looking statements at any particular time whether as a result of new information, future events or otherwise unless required to do so under applicable securities laws. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.

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

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 that businesses can use to attract, retain, and grow the customer bases that matter most. Through its proprietary SAAS technology platforms, LOCUS, ATOM and Clear Lake, as well as its consumer facing application Paymi, the Company is able to ingest, enrich, analyze, and action large quantities of data.

LOCUS, a proprietary automated data-processing technology, enables the Company to manage data at scale and enrich that data with proprietary zero, first 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 offer merchant partners the ability to understand more about their customers to drive greater sales and increase market share. 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.

Clear Lake (“CL”) is a proprietary consumer insight platform, to generate a higher margin recurring revenue line of business. CL 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.

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.

DISCUSSION OF OPERATIONS

Operating Highlights and Significant Developments for the nine months ended September 30, 2023, and to the date of this report include the following:

On February 23, 2023, the Company announced it was recognized by the TSX Venture Exchange as one of the top 10 performing technology stocks in the 2023 TSX Venture 50. The TSX Venture 50 is the Exchange’s flagship program, ranking the top performing companies from over 1,600 companies listed on the TSX Venture Exchange across five different sectors.

On June 14, 2023, the Company announced it has entered a multi-year engagement with one of Canada’s leading publishers. This engagement will utilize EQ’s proprietary data assets and its AI driven media platform to provide marketers and advertisers with best-in-class data, audience creation, media and measurement tools that drive results.

Revenue

Revenue for the three months ended September 30, 2023, was \$2.6 million, an increase of \$0.5 million when compared to the three months ended September 30, 2022. Revenue for the nine months ended September 30, 2023, was \$6.8 million, a decrease of \$1.2 million when compared to the same period in 2022.

Publishing costs

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 2,617	\$ 2,111	\$ 6,849	\$ 8,065
Publishing costs	1,347	1,298	3,875	5,063
Gross profit	\$ 1,270	\$ 813	\$ 2,974	\$ 3,002
Gross profit % of revenue	49%	39%	43%	37%

Publishing costs for the Company consist primarily of payments to advertising exchanges and publishers, paid search traffic costs, and other direct costs associated with the generation of revenue.

Consolidated publishing costs for the three months ended September 30, 2023, were \$1.3 million, and 51% of revenue, compared to \$1.3 million, and 61% of revenue in 2022. Consolidated

publishing costs for the nine months ended September 30, 2023, were \$3.9 million, and 57% of revenue, compared to \$5.1 million, 63% of revenue, in 2022.

There has been an improvement in gross margin for the three and nine months ended September 30, 2023, compared to the same period year over year. A large part of the increase in gross margin was attributed to the reduction of fixed data costs and increased demand for data-driven media campaigns. EQ regularly evaluates and makes necessary changes to the Company's pricing strategy in order to optimize the Company's objectives of market penetration and profitability and, accordingly, margins may fluctuate year over year.

Net Loss

Net income for the three months ended September 30, 2023, was \$28,000 compared to a net loss of \$1.8 million for the same period in 2022. The gross profit increased by \$0.5 million compared to the same period in 2022 due to the higher revenue generated during the three months ended September 30, 2023 and a significant increase in gross margin. The \$1.8 million decrease in net loss was the result of the \$0.3 million decrease in employee compensation and share-based payments, \$0.5 million decrease in other operating costs, a one-time gain from acquisition-related transaction of \$0.5 million, \$97,000 decrease from restructuring costs and \$8,000 decrease in depreciation, and \$13,000 decrease in finance income, offset by the \$81,000 increase in amortization of intangible assets and \$8,000 decrease in finance costs.

Net loss for the nine months ended September 30, 2023, was \$2.0 million, compared to a loss of \$5.0 million for the same period in 2022. The \$3.0 million decrease in net loss was the result of the \$0.9 million decrease in employee compensation and share-based payments, \$1.9 million decrease in other operating costs, decrease in depreciation of property and equipment of \$27,000, decrease in right-to-use assets of \$6,000, and decrease in finance costs and income of \$20,000 offset by the \$0.3 million increase in amortization of intangible assets and restructuring costs of \$0.1 million. There was a one-time gain from acquisitions-related transaction of \$0.5 million.

The decrease in net loss was primarily the result of the decrease in employee compensation as well as other operating costs and improvement in overall gross profit.

Results for the three months ended September 30, 2023, compared to the three months ended September 30, 2022

Summarized Unaudited Condensed Consolidated Financial Results

Three Months ended September 30,

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

	2023	2022	% Change
Revenue:			
Revenue	2,617	2,111	24
Expenses:			
Publishing costs	1,347	1,298	
Employee compensation and benefits ⁽¹⁾	883	1,124	
Other operating costs	593	1,127	
Gain from acquisition-related transaction	(483)	-	
	2,340	3,549	(34)
Share-based payments	10	71	
Restructuring cost	-	97	
Depreciation of property and equipment	8	16	
Amortization of intangible assets	203	122	
Income (Loss) from Operations	56	(1,744)	(103)
Finance income	3	16	
Finance costs	(31)	(39)	
Net income (Loss)	\$ 28	\$ (1,767)	(102)
Basic and diluted loss per share	\$ -	\$ (0.03)	

(1) Employee compensation and benefits exclude share-based payments.

Employee compensation and benefits

Employee compensation, excluding share-based payments, consists of salary and benefit costs, personnel costs, commissions and variable compensation, payroll taxes, and employee health and related benefit expenses. Employee compensation, excluding share-based payments, for the three months ended September 30, 2023, was \$0.9 million, a decrease of \$0.2 million compared to the same period in 2022. The Company decreased the headcount during the second half of 2022 and continued into the first half of 2023. The current headcount was 35 as of September 30, 2023 compared to 46 as of September 30, 2022.

Other operating costs

Other operating costs consist primarily of office and administration expenses, including insurance costs and office consumables, as well as sales and marketing, travel-related expenses, contractor and consulting expenses, communication, equipment rental, and professional service-related expenses. Other operating costs for the three months ended September 30, 2023, were \$0.6 million. This was a decrease of \$0.5 million compared to the three months ended September 30, 2022. This decrease was in response to the Company's restructuring of the media business and the continued focus on recurring revenue and data services.

Share-based Payments

For the three months ended September 30, 2023, the Company recorded share-based payments of \$10,000, a decrease of \$61,000 compared to the same period in 2022. Share-based Payments declined during the three months ended September 30, 2023, as certain stock options have been fully vested.

Gain from acquisition-related transaction

The Company acquired Paymi in July 2021 and there was a dispute related to closing the balance sheet of Paymi. The Company and the former shareholder of Paymi engaged a third party to review the closing balance sheet and the associated working capital. During the three months that ended September 30, 2023, the dispute between the Company and the former shareholder was resolved based on the third party review and the Company recognized a gain on acquisition-related transaction of \$0.5 million.

Depreciation of property and equipment

Depreciation of property and equipment was \$8,000 for the three months ended September 30, 2023, Compared to \$16,000 for the same period in 2022.

Amortization of intangible assets

Amortization of intangible assets was \$0.2 million for the three months ended September 30, 2023, and slightly higher than \$0.1 million for the three months ended September 30, 2022. The increase in amortization was the addition of an internally generated software platform.

Finance Costs and Finance Income

For the three months ended September 30, 2023, finance income totaled \$3,000, consisting of \$3,000 interest income related to an investment of excess cash. For the three months ended September 30, 2022, finance income totaled \$16,000, consisting of \$16,000 interest income related to an investment of excess cash.

Finance costs for the three months ended September 30, 2023, were \$31,000 which consisted of \$3,000 other interest expense, interest on loans and borrowings of \$18,000, accretion on loan of \$1,000 and a foreign exchange loss of \$9,000. Finance costs for the three months ended September 30, 2022, were \$39,000 which consisted of \$22,000 other interest expenses, \$3,000 accretion on escrow related to Paymi expenses and a foreign exchange loss of \$14,000.

For the three months ended September 30, 2023, there was a foreign exchange loss of \$9,000 compared to \$14,000 in 2022. Due to the Canadian dollar functional currency of the Company and the net assets and liabilities denominated in Canadian dollars, a foreign exchange loss was realized when the value of the US dollar appreciated relative to the Canadian dollar and foreign liabilities were higher than foreign assets.

Results for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022

Summarized Unaudited Condensed Consolidated Financial Results

Nine months ended September 30,

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

	2023	2022	% Change
Revenue:			
Revenue	6,849	\$ 8,065	(15)
Expenses:			
Publishing costs	3,875	5,063	
Employee compensation and benefits ⁽¹⁾	2,877	3,619	
Other operating costs	1,704	3,577	
	8,456	12,259	(31)
Share-based payments	40	203	
Restructuring cost	122	97	
Depreciation of property and equipment	27	54	
Depreciation of right-to-use asset	-	6	
Amortization of intangible assets	652	400	
Gain from acquisition-related transaction	(483)	-	
Loss from operations	(1,965)	(4,954)	(60)
Finance income	8	33	
Finance costs	(42)	(87)	
Loss for the period from operations	\$ (1,999)	\$ (5,008)	(60)
Basic and diluted loss per share	\$ (0.03)	\$ (0.07)	

(1) Employee compensation and benefits exclude share-based payments.

Employee compensation and benefits

Employee compensation, excluding share-based payments, consists of salary and benefit costs, personnel costs, commissions and variable compensation, payroll taxes, and employee health and related benefit expenses. Employee compensation, excluding share-based payments, for the nine months ended September 30, 2023, was \$2.9 million, a decrease of \$0.7 million compared to the same period in 2022. The Company decreased the headcount during the second half of 2022 and continued into the first half of 2023. The current headcount was 35 as of September 30, 2023 compared to 46 as of September 30, 2022.

Other operating costs

Other operating costs consist primarily of office and administration expenses, including insurance costs and office consumables, as well as sales and marketing, travel-related expenses, contractor and consulting expenses, communication, equipment rental, and professional service-related expenses. Other operating costs for the nine months ended September 30, 2023, were \$1.7 million. This was a decrease of \$1.9 million compared to the nine months ended September 30, 2022. This decrease was in response to the Company's restructuring of the media business and the continued focus on recurring revenue and data services.

Share-based Payments

For the nine months ended September 30, 2023, the Company recorded share-based payments of \$40,000, a decrease of \$0.2 million compared to the same period in 2022. Share-based Payments declined during the nine months ended September 30, 2023, as certain stock options have been fully vested and certain stock options were canceled due to the departure of employees.

Gain from acquisition-related transaction

The Company acquired Paymi in July 2021 and there was a dispute related to closing the balance sheet of Paymi. The Company and the former shareholder of Paymi engaged a third party to review the closing balance sheet and the associated working capital. During the nine months that ended September 30, 2023, the dispute between the Company and the former shareholder was resolved based on the third party review and the Company recognized a gain on acquisition-related transaction of \$0.5 million.

Depreciation of property and equipment

Depreciation of property and equipment was \$27,000 for the nine months ended September 30, 2023, compared to \$54,000 for the same period in 2022.

Depreciation of right-to-use assets

Depreciation of right-to-use assets was \$6,000 for the nine months ended September 30, 2022, compared to nil for the nine months ended September 30, 2023. Changes made to our office location in March 2022 have decreased the total lease liability and associated depreciation.

Amortization of intangible assets

Amortization of intangible assets was \$0.7 million for the nine months ended September 30, 2023, and \$0.4 million for the nine months ended September 30, 2022. The increase in amortization was the addition of an internally generated software platform.

Finance Costs and Finance Income

For the nine months ended September 30, 2023, finance income totaled \$8,000. The finance income was related to an investment of excess cash that contributed \$8,000 in interest income. For the nine months ended September 30, 2022, finance income totaled \$33,000. The finance income was related an investment of excess cash that contributed \$33,000 in interest income.

Finance costs for the nine months ended September 30, 2023, were \$42,000 which consisted of \$13,000 other interest expense, interest on loans and borrowings of \$18,000, accretion on loan of \$1,000 and a foreign exchange loss of \$10,000. Finance costs for the nine months ended September 30, 2022, were \$87,000 which consisted of \$23,000 other interest expenses, \$20,000 accretion on escrow related to Paymi, \$29,000 accretion on lease, accretion on loan of \$1,000 and a foreign exchange loss of \$14,000.

For the nine months ended September 30, 2023, finance costs from foreign exchange loss totaled \$10,000 compared to \$14,000 in 2022. Due to the Canadian dollar functional currency of the Company and the net assets and liabilities denominated in Canadian dollars, a foreign exchange loss was realized when the value of the Canadian dollar depreciated relative to the US dollar in the 2022 and foreign liabilities were higher than foreign assets. A loss was realized in 2023 when the value of the Canadian dollar continued to depreciate.

Restructuring Cost

Restructuring costs for the nine months ended September 30, 2023, were \$0.1 million compared to 0.1 million in the same period in 2022. The Company decreased the headcount during the second half of 2022 and continued into the first half of 2023.

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

The Company measures the success of the Company's strategies and performance based on adjusted EBITDA, which is outlined and reconciled with net income (loss). The Company defines adjusted EBITDA as net income (loss) from operations before: (a) depreciation of property and equipment and amortization of intangible assets; (b) share-based payments; (c) finance income and costs; (d) depreciation of right-to-use-assets; and (e) restructuring costs (f) gain from acquisition-related transaction. Management uses adjusted EBITDA as a measure of the Company's operating performance because it provides information related to the Company's ability to generate operating cash flows for working capital requirements, capital expenditures, and potential acquisitions. The Company also believes that analysts and investors use adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies in its industry.

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

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

Reconciliation of Net Income (Loss) to Adjusted EBITDA

(In thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,		Change
	2023	2022	2023	2022	
Loss for the period	\$ 28	\$ (1,767)	\$ (1,999)	\$ (5,008)	(60)
Finance income (costs):					
Finance income	3	16	8	33	
Finance costs	(31)	(39)	(42)	(87)	
Loss from operations	56	(1,744)	(1,965)	(4,954)	(60)
Share-based payments	10	71	40	203	
Restructuring cost	-	97	122	97	
Gain from acquisition-related transaction	(483)	-	(483)	-	
Depreciation of property and equipment	8	16	27	54	
Depreciation of right-to-use asset	-	-	-	6	
Amortization of intangible assets	203	122	652	400	
Adjusted EBITDA ⁽¹⁾	\$ (206)	\$ (1,438)	\$ (1,607)	\$ (4,194)	(62)

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

Adjusted EBITDA

The \$0.2 million adjusted EBITDA loss for the three months ended September 30, 2023, was an improvement compared to the \$1.4 million adjusted EBITDA loss for the three months ended September 30, 2022. The \$1.2 million improvement in adjusted EBITDA year over year was related to the decrease in employee compensation and benefits and other operating expenses and an increase in gross profit compared to 2022.

The adjusted EBITDA loss for the nine months ended September 30, 2023, was \$1.6 million, a decrease of \$2.6 million compared to the same period in 2022. This decrease was primarily related to the \$0.7 million decrease in employee compensation and the decrease of \$1.9 million in other operating expenses.

Overall, the improvement in adjusted EBITDA loss for both the three and nine months that ended September 30, 2023, was a response to the Company’s restructuring effort of the media business and the continued reduction in the headcount during the first half of 2023.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company has incurred total comprehensive losses of \$2.0 million and negative cash flows from operations of \$1.2 million for the nine months ended September 30, 2023, and has a working capital deficit of \$1.6 million as at September 30, 2023. As a result, these material uncertainties cast significant doubt regarding the Company’s ability to continue as a going concern.

The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned investments. The Company's principal cash requirements are for capital expenditures and working capital needs. The Company uses its operating cash flows and cash balances to maintain liquidity.

Selected financial information from the statements of financial position as at September 30, 2023 and 2022, are as follows:

As at September 30,	2023	2022
Cash	\$ 445	\$ 3,014
Working capital	(1,595)	1,496
Total assets	8,452	11,018
Current liabilities	5,146	4,301
Other non-current liabilities	-	78

As at September 30, 2023, the Company had \$0.4 million in cash and \$0.9 million in loans and borrowings compared to \$3.0 million of cash and \$0.1 million in loans and borrowings as at September 30, 2022. Cash flows used in operations totaled \$1.2 million in the nine months ended September 30, 2023, compared to \$4.0 million for the same period in 2022. During the nine months ended September 30, 2023 cash generated from the financing activities was \$0.9 million, compared to \$45,000 of cash used in financing activities. Finally, \$0.5 million was invested during the nine months ended September 30, 2023, compared to \$1.7 million for the nine months ended September 30, 2022.

The following table summarizes these key metrics for the nine months ended September 30:

As at September 30, (In thousands of Canadian dollars)	2023	2022
Net cash used in operating activities	\$ (1,188)	\$ (3,989)
Net cash from (used in) financing activities	876	(45)
Net cash used in investing activities	(495)	(1,739)

Net Cash Used in Operating Activities

Cash used in operations totaled \$1.2 million for the nine months ended September 30, 2023, compared to \$4.0 million in 2022. Net loss for the nine months ended September 30, 2023, was \$2.0 million. Adjustments to reconcile the net loss to operating cash flows included \$27,000 in depreciation of property and equipment, \$0.7 million in the amortization of intangible assets, \$40,000 in share-based payments, and \$11,000 in finance costs, and \$1,000 in unrealized foreign exchange loss. Finally, the change in non-cash operating working capital for the period resulted in a source of cash of \$0.1 million.

With respect to the nine months ended September 30, 2023, the \$0.1 million change in non-cash operating assets and liabilities was attributable to a decrease in accounts receivable of \$0.7 million, a decrease in other current assets of \$13,000 and an increase in rewards payable of \$0.1 million partially offset by a decrease of \$0.1 million in contract liabilities related to customer deposits and a decrease in accounts payable and accrued liabilities of \$0.6 million.

Net loss for the nine months ended September 30, 2022, was \$5.0 million. Adjustments to reconcile the net loss to operating cash flows included \$54,000 in depreciation of property and equipment, \$6,000 in depreciation of right-of-use asset, \$0.4 million in the amortization of intangible assets, \$0.2 million in share-based payments, and \$17,000 in finance costs, offset by \$24,000 in unrealized foreign exchange gains. Finally, the change in non-cash operating working capital for the period resulted in a source of cash of \$0.4 million.

With respect to the nine months ended September 30, 2022, the \$0.4 million change in non-cash operating assets and liabilities was attributable to a decrease in accounts receivable of \$2.2 million, an increase of rewards payable of \$0.1 million and a decrease in other current assets of \$36,000 offset by a decrease in accounts payable and accrued liabilities of \$1.5 million and contract liabilities of \$0.5 million related to customer deposits.

Net Cash From (Used) in Financing Activities

Financing activities for the nine months ended September 30, 2023, resulted in a source of cash of \$0.9 million. There was a proceed of \$26,000 from the exercise of 33,333 stock options. The Company replaced its revolving line of credit facility with an accounts receivable factoring facility and the Company leveraged \$0.9 million from the facility and incurred \$18,000 in interest expenses related to the facility.

Financing activities for the nine months ended September 30, 2022, resulted in a use of cash of \$45,000. This was entirely comprised of the repayment of obligations under the lease liability.

Net Cash Used in Investing Activities

Investing activities for the Company are impacted by acquisitions of property, equipment, and intangible assets. For the nine months ended September 30, 2023, investing activities resulted in a use of cash of \$0.5 million, a decrease of \$1.2 million compared to the same period in 2022.

In the nine months ended September 30, 2023, the Company invested \$0.5 million in internally generated intangible assets related to the development costs incurred in connection with the new software platform to be used internally. Development costs related to the software platform controlled by the Company are to be amortized over one to three years. The restricted cash of \$49,000 was required as a security deposit to fund the corporate credit card facility. There was also \$4,000 spent on new hardware to support operations. This was partially offset by interest income of \$8,000.

In the nine months ended September 30, 2022, the Company invested \$0.5 million in internally generated intangible assets related to the development costs incurred in connection with the new software platform to be used internally. Development costs related to the software platform controlled by the Company are to be amortized over three years. The Company also settled the dispute with Tapped Shareholders related to the second year earnout of \$1.3 million. There was also \$17,000 spent on new hardware to support operations. All of this was partially offset by an interest income of \$33,000.

See also “Financial Risk Management - Liquidity Risk” later in this MD&A for a discussion of the credit facilities relating to the Company.

The following is a contractual maturity analysis of the Company’s financial liabilities as at September 30, 2023:

<i>Contractual Obligations</i>	<i>Payments Due by Period</i>				
	<i>Total</i>	<i>Less than 1 year</i>	<i>1-3 years</i>	<i>4-5 years</i>	<i>After 5 years</i>
<i>Trade and other payables</i>	2,840	2,840	-	-	-
<i>Loans and Borrowings</i>	988	868	120	-	-
<i>Rewards payable</i>	1,358	1,358	-	-	-
<i>Total Contractual Obligations</i>	5,186	5,066	120	-	-

OFF-BALANCE SHEET ARRANGEMENTS

Currently the Company does not have any off-balance sheet items which would have an impact on the Company’s overall performance.

SUMMARY OF SEASONALITY AND QUARTERLY RESULTS

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 calendar 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 in the same quarter for the previous year.

Quarterly results and statistics in respect of the Company for the previous nine quarters are outlined below:

(In thousands of Canadian dollars, except per share amounts)	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 2,617	\$ 2,541	\$ 1,691	\$ 2,914	\$ 2,111	\$ 3,240	\$ 2,714	\$ 4,218
Income (loss) before depreciation and amortization	(216)	(428)	(1,003)	(1,165)	(1,509)	(1,218)	(1,670)	(1,295)
Depreciation of property and equipment	(8)	(8)	(11)	(13)	(16)	(17)	(21)	(21)
Depreciation of right-to-use asset	-	-	-	-	-	-	(6)	(17)
Amortization of intangible assets	(203)	(204)	(245)	(237)	(122)	(158)	(120)	(88)
Restructuring costs	-	-	(122)	(20)	(97)	-	-	-
Gain from acquisition-related transaction	483	-	-	-	-	-	-	-
Loss from operations	56	(640)	(1,381)	(1,435)	(1,744)	(1,393)	(1,817)	(1,421)
Finance income (costs), net	(28)	1	(7)	7	(23)	12	(42)	31
Additional contingent consideration	-	-	-	-	-	-	-	(1,215)
Net Income (loss) for the period	\$ 28	\$ (639)	\$ (1,388)	\$ (1,428)	\$ (1,767)	\$ (1,381)	\$ (1,859)	\$ (2,605)
Basic loss per share	-	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.03)	(0.04)
Diluted loss per share	-	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.03)	(0.04)

Summary of third Quarter Results, Selected

During the three months ended September 30, 2023, consolidated operating revenues were \$2.6 million, an increase of \$0.5 million compared to the same period in 2022, and a decrease of 16% over the same period in 2021.

On a more positive note, the net income for the three months ended September 30, 2023, improved sequentially and year over year. With the recent restructuring efforts with fewer costs and an increased focus on products with higher margins and more stable recurring revenue, the Company was able to continue towards profitability.

SELECTED FINANCIAL INFORMATION

The following table sets out consolidated financial information for EQ for the periods indicated. The following should be read in conjunction with the financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information for the three and nine months ended September 30, 2023, 2022, and 2021, has been derived from the annual financial statements.

(In thousands of Canadian dollars, except per share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	2021	2023	2022	2021
Revenue	\$ 2,617	\$ 2,111	\$ 3,104	\$ 6,849	\$ 8,065	\$ 7,868
Income (loss) for the period	28	(1,767)	(1,672)	(1,999)	(5,008)	(3,350)
Basic loss per share	-	(0.03)	(0.02)	(0.03)	(0.07)	(0.05)
Diluted loss per share	-	(0.03)	(0.02)	(0.03)	(0.07)	(0.05)
Total assets	8,452	11,018	18,810	8,452	11,018	18,810
Total current liabilities	5,146	4,301	4,819	5,146	4,301	4,819
Total non-current liabilities	-	78	120	-	78	120

The Company's transition from historical digital advertising to hyper-local targeting, data gathering and optimization capabilities has had an impact on the decrease in revenue. This type of precision targeting and analysis, which differentiates the Company from many in the industry, has become extremely important for digital marketers because businesses now closely scrutinize their

return on advertising dollars. These new features have changed the revenue mix of the Company, and this is expected to continue to add significant value in future quarters.

See the sections in this MD&A entitled “Critical Accounting Policies and Estimates” and “Recent Adopted accounting Pronouncements”, as well as the Notes to the September 30, 2023, unaudited condensed consolidated financial statements, for a discussion of critical, new accounting policies and estimates as they relate to the discussion of our operating and financial results.

Management of Capital

The Company’s objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. EQ defines the capital that it manages as the aggregate of its shareholders’ equity, comprised of issued capital, contributed surplus, accumulated other comprehensive income (loss), and retained earnings (deficit). The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets, and the Company’s working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, issue debt, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements as at September 30, 2023.

Outstanding Share Data

The following information on the Company’s share capital and options outstanding has been updated to November 16, 2023:

	<u>Outstanding</u>	<u>Authorized</u>
Common Shares	69,468,957	Unlimited
Options	2,008,500	6,943,562

The Board of Directors of the Company has adopted a 10% rolling stock options plan of the Company. Pursuant to the Plan, the maximum aggregate number of Common Shares that may be issued is 6,943,562 (representing 10% of the issued and outstanding Common Shares).

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Included in the Company’s 2022 annual consolidated financial statements, and summarized below, the Company has identified the accounting policies and estimates that are critical to understanding the Company’s business operations and results of operations.

The following are critical accounting policies subject to such judgments and the principal sources of estimation uncertainty that the Company believes could have the most significant impact on its reported consolidated results of operations and consolidated financial position.

(a) Key sources of estimation uncertainty:

- (i) Useful lives of intangible assets - Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.
- (ii) Revenue recognition – The recognition of revenue requires judgement in the assessment of performance obligation, whether they are distinct and separate, within a contract and the assessment of recognizing at a point in time or over a period of time. In instances of bundle contracts, management estimates and allocates the transaction price to each performance obligation based on its stand-alone selling price. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in these transactions with advertisers and involves judgement based on an evaluation of the terms of each arrangement. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, management places the most weight on the analysis of whether the Company controls the services before they are transferred to the customer.
- (iii) Expected credit losses - The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors.
- (iv) Share-based payments - The estimated fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates. In addition to the fair value calculation, the Company estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience.

- (v) Business combinations – IFRS 3, Business Combinations, is applied to account for all business acquisitions. Identifying the fair value of assets and liabilities acquired, including intangible assets and residual goodwill requires significant judgement by management upon acquisition.

(b) Critical judgments in applying accounting policies:

- (i) Functional currency - Judgment is applied in situations where primary and secondary indicators are mixed. Primary indicators such as the currency that mainly influences sales prices are given priority before considering secondary indicators.

CHANGES IN ACCOUNTING POLICIES

Recently adopted accounting pronouncements

For the period ending September 30, 2023, the Company has not adopted any new accounting policies.

RISKS AND UNCERTAINTIES AFFECTING OUR BUSINESS

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.

Risks Relating to the Company

Demand for the Company's Products and Services

The market for digital advertising and technology products 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 \$93 million as of September 30, 2023. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. 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 nine months ended September 30, 2023 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 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.

Risks Relating to the Industry

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 are constantly changing and evolving, and it is difficult to predict with any assurance of 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, 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 (“FTC”) issued guidelines recommending that companies that engage in behavioural targeting engage in self-regulation to protect the privacy of consumers who use the internet. The Office of the Privacy Commissioner of Canada (“OPC”) 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. Despite

following these guidelines from both the FTC and OPC, if the FTC or federal governments in Canada or the U.S. were to enact legislation or regulations with respect to 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 the Company's 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 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 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 or require unanticipated technology or other investments. The Company's failure to adapt successfully to these changes could harm the Company's 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, the Company's 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 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 securities 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-related 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 Company's 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, an announcement of adverse changes or events, and decreases in the financial condition of the Company's business. 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 amount of 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 those 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, decreased collectability of accounts receivable or early termination of agreements due to deterioration in economic conditions could negatively impact the Company's operational results.

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 material 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 incentive to the Company's employees. Like many technology companies, the Company currently uses shares and may use other 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.

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. The Company did not agree with this judgment and appealed the decision to the upper court. However, the upper court upheld the decision and the Company has settled the remainder of \$1.3 million of the second year Earn-out and legal fee and interest of \$0.1 million during 2022.

Acquisitions and Investments

The Company continually evaluates opportunities to acquire additional technologies or businesses. The Company has acquired and made strategic investments in a number of companies in the past and expects to make further acquisitions and strategic investments in the future. Such transactions may result in dilutive issuances of the Company's equity securities, the use of the Company's 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 and any of which could materially 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 attention and any difficulties encountered in the integration process could harm the Company's business. The Company's 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 acquired companies into the Company's operations;
- the potential disruption of the Company's ongoing business and distraction of management;
- the incurrence of additional operating losses and expenses of the businesses the Company acquired or in which the Company invested;
- the difficulty of integrating acquired technology and rights into the Company's 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 acquired companies or companies in which the Company has invested;
- the impairment of relationships with, or failure to retain, employees of acquired companies or the Company's existing employees as a result of the integration of new personnel;
- the difficulty of integrating operations, systems, and controls as a result of cultural and regulatory policies 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 acquired or in which the Company invested.

The Company is likely to experience similar risks in connection with future acquisitions and strategic investments. The Company's failure to be successful in addressing these risks or other

problems encountered in connection with the Company's past or future acquisitions and strategic investments could cause the Company to fail to realize the anticipated benefits of such acquisitions or investments, or incur unanticipated liabilities, and harm the Company's business generally.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest due to the fact that some of its officers and directors may be engaged in a range of business activities. In some cases, the executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company and its affairs, and that could adversely affect Company operations. These business interests could require significant time and attention of the Company's executive officers and directors. In addition, the Company may also become involved in other transactions which conflict with the interests of the Company's directors and officers who may from time-to-time deal with persons, firms, institutions, or corporations with which the Company may be dealing, or which may be seeking investments similar to those the Company desires. The interests of these persons could conflict with the Company's interests. In addition, from time to time, these persons may compete 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, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. 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 risk 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, compromising 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 material 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 material 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 potential 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 or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or 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 material 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 have to communication and other activities typically considered important by publicly traded companies.

FINANCIAL RISK MANAGEMENT

Overview

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. The finance department identifies

and evaluates the financial risks and is charged with the responsibility of establishing controls and procedures to ensure the financial risks are mitigated in accordance with the approved policies.

Credit Risk

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

The Company's credit risk is primarily attributable to its trade receivables. The Company reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of potentially uncollectable accounts. The amounts disclosed in the balance sheet are net of allowances for bad debts, which are established based on the specific credit risk associated with the customer and other relevant information. As of September 30, 2023, four customers represented 23%, 23%, 15% and 12% of the gross accounts receivable balance of \$3.0 million. As at September 30, 2022, three customers represented 22%, 18% and 18% of the gross accounts receivable balance of \$2.6 million, respectively. At September 30, 2023, the Company had \$0.5 million outstanding over 90 days. Subsequent to September 30, 2023, \$0.4 million of this balance has been collected.

Liquidity Risk

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

Customer Concentration Risk

Customer concentration risk is the risk of financial loss to the Company due to reliance on one or a small number of customers for significant portions of its total revenues. If a customer that represents a substantial portion of revenues reduces its activity or ceases to transact with the Company, there could be a materially adverse impact on the Company's financial stability. For the three months ended September 30, 2023, four customers comprised 24%, 16%, 13% and 12% of the Company's consolidated revenues; and three customers comprised 22%, 20% and 17% of the Company's consolidated revenues in 2022. For the nine months ended September 30, 2023, there were three customers that comprised 22%, 19% and 11% of the Company's total revenue and four customers that comprised 32%, 15%, 12% and 10% of the Company's total revenue for the same period in 2022.

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 few vendors and for accounts to be awarded to different vendors in different amounts on a quarterly and annual basis.

Market Risk

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

Interest Rate Risk

The Company's interest rate risk arises primarily from its loans and borrowings obligations, which bear interest at the bank prime rate plus 6% per annum. As of September 30, 2023 the Company has \$0.9 million outstanding under the facility and bearing interest of 13.2%.

Currency Risk

The Company operates in North America with the Canadian dollar as its functional currency and is therefore exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in U.S. dollars. The Company's primary objective in managing its foreign exchange risk is to maintain U.S. cash on hand to support forecasted North America obligations and cash flows. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held.

During the three and nine months ended September 30, 2023, the Company maintained a portion of its cash resources in both U.S. and Canadian dollars. The Company does not have any foreign currency derivative instruments outstanding as at September 30, 2023.

OUTLOOK

This outlook section is comprised entirely of forward-looking statements. The forward-looking statements are qualified in their entirety by the cautionary language found above under the heading "Forward-Looking Statements."

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 and into 2023 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 launched Clear Lake in 2023 (“CL”). CL is a proprietary consumer insight platform, to generate a higher margin recurring revenue line of business. CL 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.

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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 respecting certification of disclosure in issuers' interim filings, the Chief Executive Officer (“CEO”) and the person fulfilling the functions of a Chief Financial Officer (“CFO”) have designed, or caused it to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that (i) material information relating to the Company is made known to the Company by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation.

Also, the CEO and CFO have designed, or caused it to be designed under their supervision, internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability

of financial reporting and the preparation of financial statements for external purposes. The control framework the CEO and the CFO used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission (1992).

The CEO and CFO evaluated, or caused to be evaluated under the Company's supervision, the effectiveness of the Company's DC&P and ICFR at September 30, 2023. Based on that evaluation, the CEO and CFO determined that the Company's DC&P and ICFR were operating effectively.

No changes were made to the design of the Company's ICFR during the period ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ADDITIONAL INFORMATION

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