

# **NamSys Inc.**

Condensed Interim Financial Statements  
Expressed in Canadian Dollars  
For the nine months ended July 31, 2023 and 2022

## **Notice of No Auditor Review of Condensed Interim Financial Statements**

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established for a review of interim financial statements by an entity's auditors.

NamSys Inc.,  
September 26, 2023

# NamSys Inc.

## CONDENSED BALANCE SHEETS (Unaudited)

	July 31, 2023	October 31, 2022
(Expressed in Canadian dollars)		
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	944,330	4,708,122
Short term investments (Note 15)	5,968,335	800,000
Trade and other receivables (Note 3)	1,095,670	1,038,800
Prepaid expenses	182,635	114,670
<b>TOTAL CURRENT ASSETS</b>	<b>8,190,970</b>	<b>6,661,592</b>
PROPERTY AND EQUIPMENT (Note 4)	31,782	33,466
DEFERRED INCOME TAXES (Note 9)	21,300	11,000
<b>TOTAL ASSETS</b>	<b>8,244,052</b>	<b>6,706,058</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables (Notes 5, 8 and 13)	409,985	433,360
Income taxes payable (Note 9)	20,174	3,701
Deferred revenue	478,994	222,349
<b>TOTAL LIABILITIES</b>	<b>909,153</b>	<b>659,410</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Notes 6 and 17)	5,627,519	5,627,519
Reserve (Note 6)	136,421	-
Retained earnings	1,570,959	419,129
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>7,334,899</b>	<b>6,046,648</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>8,244,052</b>	<b>6,706,058</b>
Commitments and contingencies (Note 13)		

Approved on behalf of the Board:

K. Barry Sparks (signed), Director

Joe Prodan (signed), Director

# NamSys Inc.

## CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (Unaudited)

For the nine months ended July 31, (Expressed in Canadian dollars)	2023	2022
	\$	\$
<b>REVENUE (Note 7)</b>	<b>4,536,983</b>	3,956,738
<b>COST OF SALES (Notes 6 and 14)</b>	<b>1,785,476</b>	1,646,672
<b>GROSS PROFIT</b>	<b>2,751,507</b>	2,310,066
<b>EXPENSES</b>		
Selling (Notes 6, 8 and 14)	275,555	240,602
General and administration (Notes 4, 6, 8, 14 and 16)	866,665	798,102
Bad debt expense (Note 3)	23,004	-
<b>TOTAL EXPENSES</b>	<b>1,165,224</b>	1,038,704
<b>OPERATING INCOME</b>	<b>1,586,283</b>	1,271,362
<b>Other income (expenses)</b>		
Interest income (Note 15)	128,306	5,727
Finance cost on lease liability (Note 16)	-	(55)
Gain (loss) on foreign exchange	(93,300)	46,368
<b>Total other income (expenses)</b>	<b>35,006</b>	52,040
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,621,289</b>	1,323,402
<b>INCOME TAX (EXPENSE) RECOVERY (Note 9)</b>		
Deferred taxes	10,300	(1,000)
Current taxes	(479,759)	(350,143)
<b>TOTAL INCOME TAX (EXPENSE) RECOVERY</b>	<b>(469,459)</b>	(351,143)
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>1,151,830</b>	972,259
<b>BASIC AND DILUTED INCOME PER SHARE (Note 10)</b>	<b>0.04</b>	0.04
<b>BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES</b>	<b>27,286,332</b>	27,286,332

# NamSys Inc.

## CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (Unaudited)

For the three months ended July 31, (Expressed in Canadian dollars)	2023	2022
	\$	\$
<b>REVENUE (Note 7)</b>	<b>1,519,831</b>	1,366,628
<b>COST OF SALES (Notes 6 and 14)</b>	<b>610,091</b>	518,389
<b>GROSS PROFIT</b>	<b>909,740</b>	848,239
<b>EXPENSES</b>		
Selling (Notes 6, 8 and 14)	107,905	94,938
General and administration (Notes 4, 6, 8, 14 and 16)	297,953	260,827
<b>TOTAL EXPENSES</b>	<b>405,858</b>	355,765
<b>OPERATING INCOME</b>	<b>503,882</b>	492,474
<b>Other income (expenses)</b>		
Interest income (Note 15)	61,733	-
Gain (loss) on foreign exchange	(52,425)	9,484
<b>Total other income (expenses)</b>	<b>9,308</b>	9,484
<b>INCOME BEFORE INCOME TAXES</b>	<b>513,190</b>	501,958
<b>INCOME TAX (EXPENSE) RECOVERY (Note 9)</b>		
Deferred taxes	(400)	(1,000)
Current taxes	(150,741)	(132,502)
<b>TOTAL INCOME TAX (EXPENSE) RECOVERY</b>	<b>(151,141)</b>	(133,502)
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>362,049</b>	368,456
<b>BASIC AND DILUTED INCOME PER SHARE (Note 10)</b>	<b>0.01</b>	0.01
<b>BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES</b>	<b>27,286,332</b>	27,286,332

## NamSys Inc.

### CONDENSED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

For the nine months ended July 31, 2023 and 2022

	Share Capital Number of Shares	Share Capital \$	Equity Settled Share-Based Payments Reserve \$	Retained Earnings (Deficit) \$	Total \$
(Expressed in Canadian dollars)					
<b>Balance as at October 31, 2021</b>	27,286,332	5,627,519	-	(975,311)	4,652,208
Net income for the period	-	-	-	972,259	972,259
<b>Balance as at July 31, 2022</b>	27,286,332	5,627,519	-	(3,052)	5,624,467
<b>Balance as at October 31, 2022</b>	27,286,332	5,627,519	-	419,129	6,046,648
Net income for the period	-	-	-	1,151,830	1,151,830
Share-based compensation	-	-	136,421	-	136,421
<b>Balance as at July 31, 2023</b>	27,286,332	5,627,519	136,421	1,570,959	7,334,899

The accompanying notes are an integral part of these condensed interim financial statements.

# NamSys Inc.

## CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

For the nine months ended July 31, (Expressed in Canadian dollars)	2023	2022
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income	1,151,830	972,259
Non-cash items:		
Share-based compensation (Note 6)	136,421	-
Depreciation of property and equipment (Note 4)	5,259	10,044
Depreciation of right-of-use asset (Note 16)	-	10,768
Finance cost on lease liability (Note 16)	-	55
Deferred income tax expense (Note 9)	(10,300)	1,000
Accrued interest on short term investments (Note 15)	(127,958)	(5,727)
	<u>1,155,252</u>	<u>988,399</u>
Changes in:		
Trade and other receivables (Note 3)	(56,870)	(334,686)
Income taxes receivable (Note 9)	-	113,912
Prepaid expenses	(67,965)	(33,529)
Trade and other payables (Notes 5, 8 and 13)	(23,375)	(84,894)
Income taxes payable (Note 9)	16,473	36,231
Deferred revenue	<u>256,645</u>	<u>27,120</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>1,280,160</u>	<u>712,553</u>
<b>INVESTING ACTIVITIES</b>		
Redemption (purchase) of short term investments (Note 15)	(5,040,377)	2,016,626
Purchase of property and equipment (Note 4)	(3,575)	(7,770)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(5,043,952)</u>	<u>2,008,856</u>
<b>FINANCING ACTIVITIES</b>		
Payment of lease liability (Note 16)	-	(11,250)
<b>NET INCREASE IN CASH DURING THE PERIOD</b>	<u>(3,763,792)</u>	<u>2,710,159</u>
<b>CASH, beginning of period</b>	<u>4,708,122</u>	<u>2,550,039</u>
<b>CASH, end of period</b>	<u>944,330</u>	<u>5,260,198</u>
<b>Supplemental cash flow information:</b>		
Income taxes paid	428,000	200,000

# NamSys Inc.

## CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

For the three months ended July 31, (Expressed in Canadian dollars)	2023	2022
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income	362,049	368,456
Non-cash items:		
Share-based compensation (Note 6)	55,047	-
Depreciation of property and equipment (Note 4)	1,791	1,830
Deferred income tax expense (recovery) (Note 9)	400	1,000
Accrued interest on short term investments (Note 15)	(61,606)	-
	<u>357,681</u>	<u>371,286</u>
Changes in:		
Trade and other receivables (Note 3)	57,818	(29,860)
Income taxes receivable (Note 9)	-	-
Prepaid expenses	(121,805)	(56,912)
Trade and other payables (Notes 5, 8 and 13)	89,158	92,174
Income taxes payable (Note 9)	15,492	27,502
Deferred revenue	(148,745)	(136,647)
	<u>249,599</u>	<u>267,543</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>249,599</b>	<b>267,543</b>
<b>INVESTING ACTIVITIES</b>		
Redemption (purchase) of short term investments (Note 15)	(300,000)	-
Purchase of property and equipment (Note 4)	(607)	(1,240)
	<u>(300,607)</u>	<u>(1,240)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(300,607)</b>	<b>(1,240)</b>
<b>FINANCING ACTIVITIES</b>		
Payment of lease liability (Note 16)	-	-
	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	<b>(51,008)</b>	<b>266,303</b>
<b>CASH, beginning of period</b>	<b>995,338</b>	<b>4,993,895</b>
<b>CASH, end of period</b>	<b>944,330</b>	<b>5,260,198</b>
<b>Supplemental cash flow information:</b>		
Income taxes paid	123,000	105,000

# NamSys Inc.

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## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 1. NATURE OF OPERATIONS

NamSys Inc. ("NamSys") was incorporated under the Alberta Business Corporations Act, under the name Cencotech Inc. ("Cencotech"), on January 29, 1997 and was continued under the Ontario Business Corporations Act on October 31, 1999. On November 1, 2016, Cencotech amalgamated with its then wholly owned subsidiary NamSys, and continues under the name NamSys (the "Company").

The Company was formed to acquire and manage emerging high technology enterprises with sound business solutions for their customers. NamSys now exclusively offers software solutions for currency management and processing for the banking and merchant industries principally in North America.

The Company is domiciled in Canada and the address of the Company's registered office is 150 King Street West, Suite 274, Toronto, Ontario, M5H 1J9. The Company is listed on the TSX Venture Exchange under the symbol "CTZ".

These condensed interim financial statements for the nine months ended July 31, 2023 and 2022, were approved and authorized for issue by the Board of Directors on September 26, 2023.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

#### Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and do not include all of the information required for full annual financial statements.

#### Basis of presentation and measurement

The condensed interim financial statements have been prepared on the accrual basis, except for cash flow information, using the historic cost basis of accounting, unless otherwise indicated, and are presented in Canadian dollars, which is the Company's functional currency. All amounts are rounded to the nearest dollar, other than income per share disclosures.

#### Foreign currencies

Foreign currency transactions are translated into the Company's functional currency at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the reporting date rates of exchange, and non-monetary assets and liabilities at historical exchange rates. Revenues and expenses are translated at the average exchange rates in the month they occur, except for revenues and expenses from non-monetary assets, which are translated using the same rates as the related assets. Translation gains and losses are recorded in net income.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Use of Estimates and Judgments

The preparation of condensed interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial period that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

The accompanying condensed interim financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

#### *Estimates and assumptions*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information regarding areas of estimation uncertainty made in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements is included in the following notes:

- Notes 3 and 11 – determination of the allowance for expected credit losses
- Note 4 – estimated useful life and residual value of property and equipment
- Note 6 – share-based payments
- Note 9 – determination of probable future taxable income
- Note 13 – contingencies

#### *Significant judgments*

Judgments are reviewed on an ongoing basis. Changes resulting from the effects of amended judgments are recognized in the period in which the change occurs and in any future periods presented.

Information regarding significant areas of critical judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements is included in the following notes:

- Note 2 – functional currency of the Company
- Note 9 – recoverability of deferred tax assets

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments

##### *Recognition and initial measurement*

Financial assets and financial liabilities, including derivatives, are recognized in the balance sheets when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL"), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

##### *Classification and subsequent measurement*

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories: a) amortized cost and b) fair value through profit or loss.

##### *Financial instruments at amortized cost*

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

- (i) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL. These financial liabilities, including derivative liabilities, are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise to the extent they are not part of a designated hedging relationship. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method, with gains and losses recognized in net income in the period that the liability is derecognized.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial instruments at fair value through profit or loss*

Financial instruments are classified as FVTPL when the financial instrument is either held for trading or designated as such upon initial recognition. Financial instruments are classified as held for trading if acquired principally for the purpose of selling in the near future or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-making. All financial assets not classified as amortized cost are measured at FVTPL. This includes derivative financial assets that are not part of a designated hedging relationship. Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise.

The Company has no financial instruments designated as FVTPL as at July 31, 2023 and October 31, 2022.

#### *Impairment of financial instruments*

The Company recognizes a loss allowance on a forward-looking basis at an amount equal to the lifetime expected credit loss ("ECL") on its financial assets measured at amortized cost.

Lifetime ECL represents the expected credit losses that will result from all probable default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the period-end.

#### *Impairment - trade and other receivables*

The lifetime ECL allowance for impairment is recognized for trade and other receivables. It is estimated based on the Company's historical loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current as well as forecast direction of conditions at the reporting date. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in general and administrative expenses in the statements of comprehensive income. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as a recovery in general and administrative expenses in the statements of comprehensive income.

#### *Fair value hierarchy*

Financial instrument fair values are classified in a hierarchy comprising three levels reflecting the observability of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

#### *Cash*

Cash consists of bank balances which are deposited at chartered banks. These balances maintained at chartered banks may exceed federally insured amounts.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Short term investments*

Short term investments are fixed-income securities with original maturities of one year or less that are carried at cost plus accrued interest.

#### **Property and equipment**

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the asset, and bringing the asset to the location and condition necessary for its use in operations.

Depreciation of the cost to the estimated residual value is calculated over the estimated useful lives of the asset as follows:

Office equipment	20% declining balance
Leasehold improvements	5 years straight-line

#### **Impairment of non-financial assets**

At each reporting date, the Company's property and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of an asset or cash-generating unit ("CGU") (see definition below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. To determine whether a non-financial asset may be impaired, the recoverable amount is compared to the carrying value of the asset. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into cash generating units ("CGUs") for impairment purposes. A CGU represents the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in net income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in net income.

#### **Provisions**

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Share issuance costs

Professional, consulting, regulatory fees and other costs that are directly attributable to the issuance of shares are charged to share capital when the related shares are issued, net of any tax effects.

#### Revenue recognition and deferred revenue

Non-licensed software revenue, such as arrangements containing hosted services where the customer does not take possession of the software and has no contractual right to do so, is recognized when: persuasive evidence of an arrangement exists; services have been rendered; the fees are fixed or determinable; and collectibility is reasonably assured. These services are generally contracted on a subscription or usage basis per month and recognized monthly.

Systems maintenance fees relate to a defined period of time and are paid in advance. Deferred revenue is comprised of systems maintenance fees for which services have not yet been provided. Maintenance contract revenue is recognized on a straight line basis over the term of the contract. Associated costs are recognized as incurred.

Software license fees for perpetual licenses are recognized when: the products and services to be provided are contained in a contractual agreement signed by the customer; delivery of the software has occurred; all significant vendor obligations have been completed; fees are fixed and determinable; and collectibility of fees is reasonably assured. Software license fees for term licenses are recognized on a straight-line basis over the license term.

Professional services are typically billed on a time and material basis and revenue is recognized over time as the services are performed. For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed.

#### Research and software development costs

Research costs are charged to net income in the period in which they are incurred. Software development costs are charged to net income in the period they are incurred, unless they meet specific capitalization criteria related to technical, market and financial feasibility.

#### Income taxes

Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Income tax expense is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets and liabilities are calculated using substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in net income in the period in which the change is substantively enacted.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

#### Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net income attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

#### Share-based payment transactions

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity settled share-based payments reserve account. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Unexercised expired stock options are transferred to deficit.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leased assets

The Company assesses whether a contract is or contains a lease, at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in finance cost on lease liability in the statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration expenses in the statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or subject to a fair market value renewal are expensed as incurred and recognized in general and administration expenses in the statements of comprehensive income.

Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

#### Adoption of accounting standards

During the nine months ended July 31, 2023, the Company did not adopt any new accounting standards.

#### New standards and pronouncements

Certain new standards and pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for the Company's reporting periods beginning on or after November 1, 2023. At the present time, the Company does not believe any future changes to IFRS will have a direct material impact on the Company's financial statements based on its current operations. If the Company determines that any amendments or proposed changes will impact the condensed interim financial statements, the Company will disclose the details of those updated standards at that time.

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

### 3. TRADE AND OTHER RECEIVABLES

As described in Note 11, the Company is exposed to credit risk with respect to its trade receivables. The Company is exposed to concentration of credit risk on the trade receivables from its customers and concentration risk within the financial services industry. As at July 31, 2023, approximately 64% of the trade receivable balances are owed from three customers (October 31, 2022 – 61% owed from three customers). The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past.

As at July 31, 2023 and October 31, 2022, ECL were assessed by management of the Company to be nominal and, therefore, no allowance for ECL was recorded. Aging of receivables is as follows:

	July 31, 2023	October 31, 2022
	\$	\$
Neither impaired nor past due	398,310	365,358
Not impaired and past due in the following periods:		
31 to 60 days	252,803	261,993
61 to 90 days	47,407	74,451
Over 90 days	332,738	245,716
Impaired	-	-
Allowance for doubtful accounts	-	-
Trade receivables	1,031,258	947,518
Other receivables	64,412	91,282
Total trade and other receivables	1,095,670	1,038,800

There has been no movement in the allowance for ECL since October 31, 2012. However, in the second quarter of 2023, the Company determined that a trade receivable from one customer was not collectible and wrote off the entire balance, recognizing a bad debt expense of \$23,004 in operating expenses on the statement of income. In the fourth quarter of 2022, the Company determined that a trade receivable from one customer was not collectible and wrote off the entire balance, recognizing a bad debt expense of \$2,546 in operating expenses on the statement of income.

The Company's trade receivables are non-interest bearing and generally have 30 day terms. The Company does not hold any collateral with respect to its receivables.

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

### 4. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Office Equipment	Total
	\$	\$	\$
<b>At July 31, 2023</b>			
<b>Cost</b>	-	<b>68,856</b>	<b>68,856</b>
<b>Accumulated depreciation</b>	-	<b>(37,074)</b>	<b>(37,074)</b>
	-	<b>31,782</b>	<b>31,782</b>
Carrying value at October 31, 2022	-	33,466	33,466
Additions	-	3,575	3,575
Depreciation	-	(5,259)	(5,259)
<b>Carrying value at July 31, 2023</b>	-	<b>31,782</b>	<b>31,782</b>

	Leasehold Improvements	Office Equipment	Total
	\$	\$	\$
<b>At October 31, 2022</b>			
<b>Cost</b>	-	65,282	65,282
<b>Accumulated depreciation</b>	-	<b>(31,816)</b>	<b>(31,816)</b>
	-	33,466	33,466
Carrying value at October 31, 2021	4,730	31,453	36,183
Additions	-	9,311	9,311
Depreciation	(4,730)	(7,298)	(12,028)
<b>Carrying value at October 31, 2022</b>	-	<b>33,466</b>	<b>33,466</b>

Depreciation of property and equipment is included in general and administration expense on the statement of comprehensive income.

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

### 5. TRADE AND OTHER PAYABLES

	July 31, 2023	October 31, 2022
	\$	\$
Remuneration payable	136,890	243,538
Trade payables	120,730	62,187
Related party payables (Note 8(b))	108,609	83,870
Other payables including US State sales taxes	43,756	43,765
	<b>409,985</b>	<b>433,360</b>

### 6. SHARE CAPITAL AND OPTIONS

#### Authorized share capital

Unlimited number of common shares

Unlimited number of preferred shares

#### Issued and outstanding share capital

Issued common shares of the Company are as follows:

	Number of Shares	Share Capital \$
<b>Balance, October 31, 2021, 2022 and July 31, 2023</b>	<b>27,286,332</b>	<b>5,627,519</b>

The Company's shares are issued without par value.

#### Share option plan

The Company has established a share option plan under which officers, directors and selected employees can be granted options, to purchase common shares of the Company, with a maximum term of five years. The aggregate number of common shares issuable under the plan and any previous plan cannot exceed 2,500,000 common shares in total, and the number of common shares issuable to any one person under any option plan cannot exceed 5% of the total number of common shares outstanding from time to time. Options granted vest evenly over a three-year period on the anniversary date of the date of grant. The exercise price of the option is fixed at the date of grant and may not be less than the fair market value per share of the common stock on that date. Any unexercised options that expire or are forfeited, thirty days after an employee ceases to be employed by the Company, become available again for issuance under the plan. The shareholders approved the existing plan on May 1, 2000 and approved its renewal at the Annual Shareholder Meeting, May 12, 2023.

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

### 6. SHARE CAPITAL AND OPTIONS (continued)

As at July 31, 2023, the following incentive stock options were outstanding:

Expiry date	Options outstanding			Options exercisable	
	Exercise price \$	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options vested	Weighted average remaining contractual life (years)
December 15, 2027	0.58	1,211,250	4.38	-	-

The following is a summary of stock option transactions for the nine months ended July 31, 2023. There were no stock option transactions in 2022.

	2023		2022	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of period	-	-	-	-
Options granted	1,211,250	0.58	-	-
Options exercised	-	-	-	-
Options expired/forfeited	-	-	-	-
Balance, end of period	1,211,250	0.58	-	-

Share-based compensation for the nine months ended July 31, 2023 of \$136,421 (2022 – \$nil) has been expensed to the statement of comprehensive income with a corresponding amount being recorded in the equity settled share-based payments reserve in shareholders' equity. The total expense of \$136,421 for the nine months ended July 31, 2023 (2022 – \$nil) was charged as follows: \$70,112 to cost of sales (2022 – \$nil); \$24,074 to selling expenses (2022 – \$nil); and \$42,235 to general and administration expenses (2022 – \$nil).

The Company estimated the fair value of options granted during the nine months ended July 31, 2023, to be \$357,566. The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted during the nine months ended July 31, 2023. No options were granted in 2022.

	2023
Share price	\$ 0.58
Risk-free interest rate	2.9%
Expected dividend yield	0.0%
Expected stock volatility	56%
Expected life in years	5 years

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

### 7. SEGMENT INFORMATION

#### Sales to major customers

In the nine months ended July 31, 2023, three customers accounted for 25.6%, 8.6% and 7.8% respectively of the Company's revenue (2022 – 31.1%, 7.2% and 5.9% respectively).

#### Revenue breakdown

In the nine months ended July 31, 2023, the Company's revenue was derived 100% from software related sales and services (2022 – 100%), as follows:

	2023	2022
	\$	\$
Software subscriptions, hosted services, maintenance and product support	2,984,094	2,546,661
Licences	-	-
Professional services	33,058	43,450
	<b>3,017,152</b>	<b>2,590,111</b>

#### Geographic Information

In the nine months ended July 31, 2023 and 2022, the Company derived sales from multiple geographical areas, as follows:

	2023	2022
	\$	\$
US	3,615,392	3,191,790
Mexico	352,449	223,933
Puerto Rico	195,888	204,057
Dominican Republic	168,446	143,271
Canada	153,779	154,775
Other	51,029	38,912
	<b>4,536,983</b>	<b>3,956,738</b>

All of the Company's property and equipment are held in Canada.

### 8. RELATED PARTY TRANSACTIONS

#### (a) Key management remuneration

Compensation provided by the Company to key management personnel include salaries, consulting fees, directors' fees, stock option grants, statutory benefit contributions, paid annual vacation and paid sick leave, as well as non-monetary benefits such as medical care. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. During the nine months ended July 31, 2023, the Company expensed \$525,000 (2022 – \$483,000) in remuneration to directors and other members of key management personnel. Included in key management compensation expense for the nine months ended July 31, 2023, is share-based compensation of \$48,148 in respect of stock options granted (2022 – \$nil).

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

### 8. RELATED PARTY TRANSACTIONS (continued)

The Company did not provide any post-employment benefits, other long-term benefits or share-based payments other than stock option grants to key management in the period or comparative period.

- (b) The following summarizes the Company's related party transactions that have not been disclosed elsewhere in the condensed interim financial statements:

Included in general and administration expenses in the nine months ended July 31, 2023, are rent and administration expenses of \$34,200 (2022 – \$34,200) for the (Head) office rental and corporate secretarial functions of the Company. These expenses, along with management fees of \$45,000 (2022 – \$45,000), have been paid in lieu of salary to a company that is partially owned by the Executive Chairman of the Company ("Chairman"). In addition, selling expenses include consulting expenses for sales and marketing in the amount of \$33,750 incurred in the nine months ended July 31, 2023 (2022 – \$33,750) from a company that is controlled by the Founder of the Company.

Amounts due to related parties in trade and other payables at July 31, 2023, include amounts due to directors of \$91,998 (October 31, 2022 – \$83,870); and an amount due to the Chief Financial Officer of the Company of \$16,611 (October 31, 2022 – \$nil). The related party amounts included in trade and other payables are unsecured, non-interest bearing and due on demand.

### 9. INCOME TAXES

The provision for income taxes reflects an effective tax rate that differs from the corporate tax rate for the following reasons:

	2023	2022
	\$	\$
Income (loss) before income taxes	1,621,289	1,323,402
Combined basic Canadian federal and provincial income tax rate	26.50%	26.50%
Provision (recovery) for income taxes based on above rates	429,642	350,702
Adjustments to determine taxable income	39,817	441
Income tax expense (recovery)	469,459	351,143

In the nine months ended July 31, 2023, the Company recognized a deferred income tax recovery of \$10,300 (2022 – expense of \$1,000) and, as a result, at July 31, 2023, the Company had deferred tax assets totaling \$21,300 (October 31, 2022 – \$11,000). This asset primarily relates to deferred tax assets from the deferral of capital cost allowance and accrued but unpaid bonuses. In the nine months ended July 31, 2023, the Company recognized a current income tax expense of \$479,759 (2022 – \$350,143). As a result of recognizing a current income tax expense of \$479,759 in the first nine months of 2023, remitting income tax of \$428,000, and also recognizing a tax receivable of \$35,286 due to income tax withholdings made by one of the Company's foreign customers, at July 31, 2023, the Company had an income taxes payable balance of \$20,174 (October 31, 2022 – \$3,701).

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

### 9. INCOME TAXES (continued)

The following summarizes the components of deferred income tax assets:

	July 31, 2023	October 31, 2022
	\$	\$
<b>Deferred tax assets</b>		
Property and equipment	10,700	11,000
Unpaid bonus accrual	10,600	-
<b>Net deferred tax assets</b>	<b>21,300</b>	11,000

### 10. INCOME PER SHARE

For the nine months ended July 31, 2023, the weighted average number of shares outstanding used to calculate basic and diluted income per share was 27,286,332 (2022 – 27,286,332) based on net income of \$1,151,830 (2022 – net income of \$972,259).

### 11. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, trade and other receivables, short term investments, and trade and other payables, which are measured at amortized cost.

There were no significant changes in the risks discussed below during the periods presented.

#### Risk management framework

The Company's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined.

The Company has exposure to credit risk, market risk and liquidity risk as follows:

#### Credit risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument held by the Company failed to meet its obligations in accordance with the terms and conditions of its contract with the Company or if there is a concentration of transactions carried out with the same counterparty. The financial instruments that primarily subject the Company to a significant concentration of credit risk are cash, short term investments and trade receivables.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 11. FINANCIAL INSTRUMENTS (continued)

The Company's maximum credit risk exposure with respect to its trade receivables is its carrying value. The amounts disclosed in the balance sheet are net of allowances for ECL, which are estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company establishes an allowance for ECL that represents its estimate of expected losses in respect of trade receivables. This allowance relates to individual exposures for trade receivables that are considered impaired, which is defined as amounts outstanding beyond normal credit terms and conditions for the respective customers and, based upon management's evaluation, for which a risk of non-payment exists. See Note 3 for further details of trade receivables and details of concentration risk within trade receivables.

The Company's cash is held with, and the short term investment is issued by, reputable financial institutions, from which management believes the risk of loss to be minimal.

#### Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as foreign exchange rates, which will affect the Company's income or the value of its financial instruments.

The Company currently has sales in both Canadian and United States dollars giving rise to exposure to market risks from changes in foreign exchange rates. For the nine months ended July 31, 2023, approximately 97% of the Company's sales revenues are denominated in U.S. dollars (2022 – 96%). The Company is exposed to fluctuations on expenditures which are denominated in U.S. dollars. These potential currency fluctuations could have an impact on the cost of producing goods and services sold and thereby the profitability of the Company. A \$0.05 increase or decrease in the Canadian and U.S. exchange rate would result in a \$42,000 (2022 – \$39,000) increase (decrease) in operating income for the period. At July 31, 2023, cash balances included U.S. \$92,357 (October 31, 2022 – U.S. \$52,067), trade and other receivables included U.S. \$757,367 (October 31, 2022 – U.S. \$709,063), trade and other payables included U.S. \$427 (October 31, 2022 – U.S. \$3,347) and deferred revenue of U.S. \$363,000 (October 31, 2022 – U.S. \$163,000). Based on the U.S. denominated revenues and expenses in the period, the Company monitors the movement in currency exchange rates and, on that basis, decides on the appropriate measures to take. Exchange rates at the present time are such that no measures are currently being taken.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has financial liabilities outstanding including trade and other payables. These financial liabilities are due within one year.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continuously monitoring forecast and actual gross profit and cash flows from operations.

#### Fair Value

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 11. FINANCIAL INSTRUMENTS (continued)

The carrying value of cash, trade receivables, short term investments, trade and other payables, and current portion of lease liability approximates their fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

### 12. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as the aggregate of its share capital, reserve and retained earnings amounting to \$7,334,899 as at July 31, 2023 (October 31, 2022 – \$6,046,648). Its objective when managing capital is to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of July 31, 2023, the Company believes it is compliant with the policies of the TSXV.

There were no significant changes in the Company's approach to capital management during the nine months ended July 31, 2023 and 2022.

### 13. COMMITMENTS AND CONTINGENCIES

Other than obligations recorded in liabilities in the balance sheet, the Company does not have any significant financial commitments as of July 31, 2023.

#### Office lease

The Company executed a short term lease agreement commencing January 1, 2023 and ending December 31, 2023, for office space. Monthly lease payments total \$6,930 over the 12 month term of the agreement.

#### Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes in the United States and other foreign jurisdictions, the determination of which requires interpretation of complex laws and regulations. Significant judgment is therefore required in determining the Company's tax obligation. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Management has estimated the Company's U.S. sales tax audit liability to be \$9,000 and this amount has been recorded in trade and other payables as at July 31, 2023 (October 31, 2022 – \$9,000).

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 13. COMMITMENTS AND CONTINGENCIES (continued)

One customer in Mexico withholds an amount, for income tax on software, from payments made to the Company. The Company believes it will be able to claim a foreign tax credit against income taxes otherwise payable in Canada. As a result, the amounts being withheld are now recorded as a reduction of income taxes payable. At October 31, 2022, the foreign tax credit included in calculating the Company's income tax receivable (payable) balance was \$79,560. In the nine months ended July 31, 2023, the foreign tax credit balance increased by \$3,288 and totals \$82,848 at July 31, 2023.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will be charged to operations in the period that they are determined.

#### Employee termination commitments

The Company has contractual obligations to two employees in the event their employment is terminated without cause. As of July 31, 2023, the estimated amount of the commitment is \$670,000. No amount is recorded in liabilities on the Balance Sheet as no event has occurred that would necessitate settlement.

### 14. COMPENSATION EXPENSE

Total employee compensation expense provided by the Company for salaries, option grants and statutory benefits during the nine months ended July 31, 2023, included \$1,224,381 (2022 – \$983,752) recognized in cost of sales, \$158,225 (2022 – \$149,982) recognized in selling expenses, and \$387,365 (2022 – \$391,944) recognized in general and administration expenses.

### 15. SHORT TERM INVESTMENTS

At July 31, 2023, the Company held a \$800,000 cashable guaranteed investment certificate which matures on October 25, 2023, and bears interest at a variable rate which was 3.2% per annum at origination, a \$900,000 cashable guaranteed investment certificate which matures on January 31, 2024, and bears interest at a variable rate which was 4.45% per annum at origination, and a \$400,000 cashable guaranteed investment certificate which matures on July 24, 2024, and bears interest at a variable rate which was 4.95% per annum at origination. The Company also held a \$3,740,377 cashable guaranteed investment certificate which matures on February 2, 2024, and bears interest at 4.3% per annum. At October 31, 2022, the Company held the \$800,000 cashable guaranteed investment certificate as described.

Total interest accrued for the nine months ended July 31, 2023, in respect of short term investments amounted to \$127,958 (2022 – \$5,727).

### 16. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company leased operating premises under a lease which expired December 31, 2021. No payments remain outstanding under this lease.

#### Right-of-use asset

For the nine months ended July 31, 2023, depreciation of the right-of-use asset of \$nil is included in general and administration expense on the statement of comprehensive income (2022 – \$10,768).

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 16. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)

#### Finance cost on lease liability

Each lease payment included in the lease liability was apportioned between the repayment of the liability and a finance cost. The finance cost was recognized in finance cost on lease liability in the statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. For the nine months ended July 31, 2023, the finance cost on lease liability was \$nil (2022 – \$55).

### 17. NORMAL COURSE ISSUER BID

On August 29, 2023, the Company announced that the TSX Venture Exchange (TSXV) had accepted its intention to make a normal course issuer bid (NCIB) to purchase up to 1,364,316 common shares representing 5% of the Company's then current issued and outstanding common shares through the facilities of the TSXV during the period commencing August 30, 2023 and ending on August 30, 2024. As of September 26, 2023, the Company has purchased 15,000 shares for cancellation pursuant to the NCIB.