

NamSys Inc.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JULY 31, 2024

The following is a discussion and analysis of the results of operations and financial condition of NamSys Inc. (“NamSys” or “the Company”) for the nine months ended July 31, 2024 and 2023 along with certain factors that may affect the Company’s prospective financial condition and results of operations.

Forward-Looking Statements

This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of revenue, cash flow, costs, economic return) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Overview

The Company is at the forefront of transforming the cash processing and transportation industry through its innovative cloud-based solutions and subscription pricing model. The mission of the Company revolves around enhancing efficiency, security, and accuracy in cash handling operations for retailers, cash-in-transit providers and financial institutions. By leveraging the power of cloud technology, the Company provides scalable and cost-effective turnkey access to cutting-edge cash management systems.

Subscription-based pricing structure ensures that clients receive continuous value and support, allowing them to optimize their operations without significant upfront investments. A commitment to real-time data, insights, and analytics empowers stakeholders to make informed decisions, streamline processes, and reduce operational costs. By embracing the cloud and subscription-based services, the Company is driving the evolution of the cash ecosystem towards a more efficient and sustainable future.

The Company’s products are labelled as “Cirreon” and “Currency Controller”, and are well recognized in the industry.

Quarterly Financial Data

The table below presents selected financial data of the Company for each of the eight fiscal quarters ended July 31, 2024:

	Fiscal quarter end							
	Jul. 31 2024	Apr. 30 2024	Jan. 31 2024	Oct. 31 2023	Jul. 31 2023	Apr. 30 2023	Jan. 31 2023	Oct. 31 2022
	(in thousands of dollars)							
Revenue	1,741	1,661	1,584	1,556	1,520	1,520	1,497	1,438
Gross profit	1,109	1,047	956	901	910	929	912	837
Income after tax	581	524	426	463	362	411	379	422
Income per share:								
Basic	0.022	0.019	0.016	0.017	0.013	0.015	0.014	0.015
Diluted	0.021	0.019	0.015	0.017	0.013	0.015	0.014	0.015

Results of Operations

Three months ended July 31, 2024 compared to Three months ended July 31, 2023

Revenue

	2024	2023	Change	Change %
	\$	\$	\$	
Software subscriptions, hosted services, maintenance and product support	1,719,512	1,489,769	229,743	15.4%
Professional services	21,520	30,062	(8,542)	-28.4%
	1,741,032	1,519,831	221,201	14.6%

Revenue in the three months ended July 31, 2024, increased in comparison to the same period in the prior year. The Company's total sales for the three months ended July 31, 2024, were \$1,741,032 as compared to \$1,519,831 for the corresponding period in 2023, an increase of \$221,201 or 14.6%. The Company continues to see growth in its "software-as-a-service" offerings and benefits from this model as the services are paid monthly.

The Company generates software revenue from Cirreon and Currency Controller software subscriptions and hosted services, upgrading legacy license holder's systems, training, consulting and from recurring revenues for maintenance and product support of legacy systems. The majority of the Company's legacy licensed systems customers renew their product support agreements annually, in order to stay current with new features and developments. A small number of Cirreon license agreements have been granted to distributors where the product has been customized to meet the needs of the distributor's clients. Such licenses are for definitive periods and are for defined usage with normal "SaaS" monthly fees.

Recurring revenue, including maintenance, product support, software subscriptions and hosted services (SaaS) revenue for the three months ended July 31, 2024, represented \$1,719,512 of the total revenue compared to \$1,489,769 for the corresponding three months the previous year, an increase of \$229,743 or 15.4%. Recurring revenue represented 98.8% of total sales revenue in the three months ended July 31, 2024, as compared to 98.0% in the same three months of fiscal 2023.

Cost of Goods Sold and Gross Profit

Three months ended July 31, 2024 compared to Three months ended July 31, 2023

Historically, the sales mix between software license fees and subscriptions, hosted products and other services impact the Company's Gross Profit in any given reporting period. Gross Profit can also be affected by changes in the exchange rate between Canadian and U.S. dollars, given that U.S. dollar sales represent 95% or more of total sales.

Cost of goods sold for the three months ended July 31, 2024, was \$632,434 compared to \$610,091 in the corresponding period in 2023. The overall Gross Profit achieved in the third quarter of 2024 was \$1,108,598 or 63.7%, compared to Gross Profit for the corresponding period in 2023 of \$909,740 or 59.9%, an increase in Gross Margin percentage of 3.8 percentage points.

Selling Expenses

Three months ended July 31, 2024 compared to Three months ended July 31, 2023

Selling expenses are comprised of direct selling and marketing expenses and the salaries of employees whose principal function is sales and marketing. Selling expenses for the three months ended July 31, 2024, totaled \$107,696, a decrease of \$209 or 0.2% from \$107,905 in the corresponding period of 2023. Selling expenses remained flat quarter-over-quarter, decreasing by an aggregate of \$209. Selling expense was 6.2% of revenue in the third quarter of 2024 as compared to 7.1% in the 2023 same quarter, recognizing that revenues in the 2024 period were up \$221,201 or 14.6% from the 2023 comparative period.

General and Administration Expenses

Three months ended July 31, 2024 compared to Three months ended July 31, 2023

General and administration (“G&A”) expense consists primarily of salaries, benefits and overhead expenses, corporate maintenance charges, occupancy, professional fees and travel.

G&A expense totaled \$297,464 in the three months ended July 31, 2024, as compared to \$297,953 in the 2023 comparative period, a decrease of \$489 or 0.2%. Various G&A expenses decreased in aggregate by \$489 in the period, such that the total G&A expense remained consistent quarter-over-quarter.

Depreciation of property and equipment for the three months ended July 31, 2024, of \$1,703 decreased by \$88 or 4.9% from \$1,791 in the same period of 2023. The level of amortization is a result of the Company incurring only minor expenditures for property and equipment over the last several years.

With the increase in sales, as noted above, and the decrease in G&A expenses, the G&A expense ratio as compared to revenue was 17.1% in the third quarter of 2024 as compared to 19.6% in the 2023 third quarter.

Bad debt expense

In the second quarter of 2023, the Company determined that a trade receivable from one customer was not collectible and wrote off the balance, recognizing a bad debt expense of \$23,004 on the statement of comprehensive income. No trade receivables were assessed as doubtful in the current quarter.

Financing and Other Costs and Income

Other than trade and other payables, the Company has no debt outstanding and incurred no interest expense in respect of outstanding debt in the current or comparative periods.

Interest income

At July 31, 2024, the Company held a \$2,247,927 cashable guaranteed investment certificate which matures on April 29, 2025, and bears interest at a variable rate which was 4.95% per annum at origination. The Company also held a \$3,903,155 cashable guaranteed investment certificate which matures on February 3, 2025, and bears interest at a variable rate which was 4.25% per annum at origination. In respect of short term investments, for the quarter ended July 31, 2024, \$71,833 interest income was recognized (\$61,605 for the quarter ended July 31, 2023).

Gain (loss) on foreign exchange

The Company recognized a gain on foreign exchange of \$16,280 in the third quarter of 2024, whereas a loss of \$52,425 was experienced in the comparative quarter of 2023. This results in an increase in income of \$68,705 in the 2024 third quarter as compared to the 2023 same period. The gain on foreign exchange recognized in the quarter ended July 31, 2024, is a result of both the large number of clients that are domiciled in the USA and other countries, which are invoiced for services in US dollars, along with the fluctuation in the Canadian dollar vis-à-vis the US dollar occurring during the quarter. The Company invoices its foreign customers in US dollars and recognizes a foreign exchange gain (loss) when the Canadian dollar amount of the receivable at period end, or the amount received in the period, is greater (less) than at the time of invoicing.

Provision for Income Taxes

The basic rate of 26.50% was applied to the pre-tax income in the 2024 third quarter of \$800,849 (2023 – basic rate of 26.50% and pre-tax income of \$513,190), resulting in a current income tax expense of \$218,868 (2023 – expense of \$150,741). Deferred income tax expense was \$200 in the third quarter of 2024 (2023 – recovery of \$10,700).

As a result of recognizing a current income tax expense of \$157,451 in the first quarter of 2024, \$196,551 in the second quarter and \$218,868 in the third quarter, remitting income tax of \$292,205, \$153,586 and \$153,528 in the first, second and third quarters, and recording tax receivables of \$13,851, \$14,523 and \$15,799 due to income tax withholdings made by one of the Company's foreign customers in the first, second and third quarters, at July 31, 2024, the Company had income taxes payable of \$59,149 (October 31, 2023 – payable of \$129,771).

As a result of recognizing a deferred income tax expense of \$10,800 in the first quarter of 2024, \$200 in the third quarter and \$500 in the third quarter, at July 31, 2024, the Company had deferred income tax assets totaling \$9,200 (October 31, 2023 – \$20,700). This asset primarily relates to deferred tax assets from deferral of capital cost allowance.

Share-based compensation

Share-based compensation for the three months ended July 31, 2024 of \$25,006 (2023 – \$55,047) 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 \$25,006 for the three months ended July 31, 2024 (2023 – \$55,047) was charged as follows: \$12,851 to cost of sales (2023 – \$28,291); \$4,413 to selling expenses (2023 – \$9,714); and \$7,742 to general and administration expenses (2023 – \$17,042).

Comprehensive Income and Income Per Share

As a result of the factors discussed above, the comprehensive income after tax for the three months ended July 31, 2024 was \$581,481 as compared to a comprehensive income of \$362,049 in the three months ended July 31, 2023.

Three months ended July 31,

	2024	2023
	\$	\$
Comprehensive income	581,481	362,049
Income per share:		
Basic	0.02	0.01
Diluted	0.02	0.01

For the three months ended July 31, 2024, the weighted average number of shares outstanding used to calculate basic income per share was 26,966,744 (2023 – 27,286,332) and diluted income per share was 27,407,047 (2023 – 27,614,770).

Nine months ended July 31, 2024 compared to Nine months ended July 31, 2023

Revenue

	2024	2023	Change	Change %
	\$	\$	\$	
Software subscriptions, hosted services, maintenance and product support	4,939,393	4,473,864	465,529	10.4%
Professional services	46,530	63,119	(16,589)	-26.3%
	4,985,923	4,536,983	448,940	9.9%

Revenue in the nine months ended July 31, 2024, increased in comparison to the same period in the prior year. The Company's total sales for the nine months ended July 31, 2024, were \$4,985,923 as compared to \$4,536,983 for the corresponding period in 2023, an increase of \$448,940 or 9.9%. The Company continues to see growth in its "software-as-a-service" offerings and benefits from this model as the services are paid monthly.

The Company generates software revenue from Cirreon and Currency Controller software subscriptions and hosted services, upgrading legacy license holder's systems, training, consulting and from recurring revenues for maintenance and product support of legacy systems. The majority of the Company's legacy licensed systems customers renew their product support agreements annually, in order to stay current with new features and developments. A small number of Cirreon license agreements have been granted to distributors where the product has been customized to meet the needs of the distributor's clients. Such licenses are for definitive periods and are for defined usage with normal "SaaS" monthly fees.

Recurring revenue, including maintenance, product support, software subscriptions and hosted services (SaaS) revenue for the nine months ended July 31, 2024, represented \$4,939,393 of the total revenue compared to \$4,473,864 for the corresponding nine months the previous year, an increase of \$465,529 or 10.4%. Recurring revenue represented 99.1% of total sales revenue in the nine months ended July 31, 2024, as compared to 98.6% in the same nine months of fiscal 2023.

Cost of Goods Sold and Gross Profit

Nine months ended July 31, 2024 compared to Nine months ended July 31, 2023

Historically, the sales mix between software license fees and subscriptions, hosted products and other services impact the Company's Gross Profit in any given reporting period. Gross Profit can also be affected by changes in the exchange rate between Canadian and U.S. dollars, given that U.S. dollar sales represent 95% or more of total sales.

Cost of goods sold for the nine months ended July 31, 2024, was \$1,874,774 compared to \$1,785,476 in the corresponding period in 2023. The overall Gross Profit achieved in the first three-quarters of 2024 was \$3,111,149 or 62.4%, compared to Gross Profit for the corresponding period in 2023 of \$2,751,507 or 60.6%, an increase in Gross Margin percentage of 1.8 percentage points.

Selling Expenses

Nine months ended July 31, 2024 compared to Nine months ended July 31, 2023

Selling expenses are comprised of direct selling and marketing expenses and the salaries of employees whose principal function is sales and marketing. Selling expenses for the nine months ended July 31, 2024, totaled \$287,385, an increase of \$11,830 or 4.3% from \$275,555 in the corresponding period of 2023. This increase is mostly due to higher period-over-period trade show attendance costs of \$6,733. Various other selling expenses increased by an aggregate of \$5,097 in the period, such that the total increase in selling expenses is \$11,830. Selling expense was 5.8% of revenue in the first three-quarters of 2024 as compared to 6.1% in the 2023 same three-quarter-year period, recognizing that revenues in the 2024 period were up \$448,940 or 9.9% from the 2023 comparative period.

General and Administration Expenses

Nine months ended July 31, 2024 compared to Nine months ended July 31, 2023

General and administration ("G&A") expense consists primarily of salaries, benefits and overhead expenses, corporate maintenance charges, occupancy, professional fees and travel.

G&A expense totaled \$929,339 in the nine months ended July 31, 2024, as compared to \$866,665 in the 2023 comparative period, an increase of \$62,674 or 7.2%. This increase is mostly due to a one-time-only additional management fee of \$50,000 paid in the current three-quarter-year period to a company that is partially owned by the Chairman of NamSys. Various other G&A expenses increased in aggregate by \$12,674 in the period, such that the total increase in G&A expenses is \$62,674.

Depreciation of property and equipment for the nine months ended July 31, 2024, of \$4,968 decreased by \$291 or 5.5% from \$5,259 in the same period of 2023. The level of amortization is a result of the Company incurring only minor expenditures for property and equipment over the last several years.

With the increase in sales, as noted above, and the increase in G&A expenses, the G&A expense ratio as compared to revenue was 18.6% in the first three-quarters of 2024 as compared to 19.1% in the 2023 first three-quarters.

Bad debt expense

In the first three-quarters of 2023, the Company determined that a trade receivable from one customer was not collectible and wrote off the balance, recognizing a bad debt expense of \$23,004 on the statement of comprehensive income. No trade receivables were assessed as doubtful in the current period.

Financing and Other Costs and Income

Other than trade and other payables, the Company has no debt outstanding and incurred no interest expense in respect of outstanding debt in the current or comparative periods.

Interest income

At July 31, 2024, the Company held a \$2,247,927 cashable guaranteed investment certificate which matures on April 29, 2025, and bears interest at a variable rate which was 4.95% per annum at origination. The Company also held a \$3,903,155 cashable guaranteed investment certificate which matures on February 3, 2025, and bears interest at a variable rate which was 4.25% per annum at origination. In respect of short term investments, for the nine months ended July 31, 2024, \$206,897 of interest income was recognized (\$127,957 for the nine months ended July 31, 2023).

Gain (loss) on foreign exchange

The Company recognized a gain on foreign exchange of \$4,743 in the first three-quarters of 2024, whereas a loss of \$93,300 was experienced in the comparative three-quarter-year period of 2023. This results in an increase in income of \$98,043 in the 2024 first three-quarters as compared to the 2023 same period. The gain on foreign exchange recognized in the nine months ended July 31, 2024, is a result of both the large number of clients that are domiciled in the USA and other countries, which are invoiced for services in US dollars, along with the fluctuation in the Canadian dollar vis-à-vis the US dollar occurring during the three-quarter-year period. The Company invoices its foreign customers in US dollars and recognizes a foreign exchange gain (loss) when the Canadian dollar amount of the receivable at period end, or the amount received in the period, is greater (less) than at the time of invoicing.

Provision for Income Taxes

The basic rate of 26.50% was applied to the pre-tax income in the 2024 first three-quarters of \$2,115,363 (2023 – basic rate of 26.50% and pre-tax income of \$1,621,289), resulting in a current income tax expense of \$572,870 (2023 – \$479,759). Deferred income tax expense was \$11,500 in the first three-quarters of 2024 (2023 – recovery of \$10,300).

As a result of recognizing a current income tax expense of \$572,870 in the first three-quarters of 2024, remitting income tax of \$599,319 and recording a tax receivable of \$44,173 due to income tax withholdings made by one of the Company's foreign customers, at July 31,

2024, the Company had income taxes payable of \$59,149 (October 31, 2023 – payable of \$129,771).

As a result of recognizing a deferred income tax expense of \$11,500 in the first three-quarters of 2024, at July 31, 2024, the Company had deferred income tax assets totaling \$9,200 (October 31, 2023 – \$20,700). This asset primarily relates to deferred tax assets from deferral of capital cost allowance.

Share-based compensation

Share-based compensation for the nine months ended July 31, 2024 of \$89,168 (2023 – \$136,421) 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 \$89,168 for the nine months ended July 31, 2024 (2023 – \$136,421) was charged as follows: \$45,826 to cost of sales (2023 – \$70,112); \$15,736 to selling expenses (2023 – \$24,074); and \$27,606 to general and administration expenses (2023 – \$42,235).

Related Party Transactions

The following summarizes the Company's related party transactions:

- a) Included in general and administration expenses in the nine months ended July 31, 2024, are rent and administration expenses of \$34,200 (2023 – \$34,200) for the (Head) office rental and corporate secretarial functions of the Company. These expenses, along with management fees of \$95,000 (2023 – \$45,000), have been paid in lieu of salary to a company that is partially owned by the 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, 2024 (2023 – \$33,750) from a company that is controlled by the Founder of the Company.
- b) The only liabilities due to related parties at July 31, 2024, are amounts due to directors of \$150,576 (October 31, 2023 – \$170,184) included in trade and other payables. The related party amounts included in trade and other payables are unsecured, non-interest bearing and due on demand.

Comprehensive Income and Income Per Share

As a result of the factors discussed above, the comprehensive income after tax for the nine months ended July 31, 2024 was \$1,530,993 as compared to a comprehensive income of \$1,151,830 in the nine months ended July 31, 2023.

Nine months ended July 31,

	2024	2023
	\$	\$
Comprehensive income	1,530,993	1,151,830
Income per share:		
Basic	0.06	0.04
Diluted	0.06	0.04

For the nine months ended July 31, 2024, the weighted average number of shares outstanding used to calculate basic income per share was 27,075,787 (2023 – 27,286,332) and diluted income per share was 27,536,161 (2023 – 27,549,798).

Liquidity and Capital Resources

General

During the most recent five year period ended July 31, 2024, the Company funded all capital expenditures, operations and debt reduction from cash flow.

Cash Flow from Operations

The Company had working capital of \$8,107,187 at July 31, 2024, compared to working capital of \$7,846,344 at October 31, 2023. Excluded from the July 31, 2024, working capital calculations are: prepaid expenses of \$191,510 (October 31, 2023 – \$139,050); and deferred revenue of \$641,311 (October 31, 2023 – \$287,783).

For the nine months ended July 31, 2024, the Company had positive cash flow from operations of \$1,927,905 as compared to positive cash flow from operations of \$1,280,160 in the nine months ended July 31, 2023.

BALANCE SHEET

Short Term Investments

At July 31, 2024, the Company held a \$2,247,927 cashable guaranteed investment certificate which matures on April 29, 2025, and bears interest at a variable rate which was 4.95% per annum at origination. The Company also held a \$3,903,155 cashable guaranteed investment certificate which matures on February 3, 2025, and bears interest at a variable rate which was 4.25% per annum at origination.

Total interest earned for the nine months ended July 31, 2024 in respect of short term investments amounted to \$206,897 (2023 – \$127,957).

Trade and Other Receivables

At July 31, 2024, the company had trade and other receivables of \$1,058,546 (October 31, 2023 – \$1,181,189). The amount of receivables over 90 days past due, at July 31, 2024, is \$107,817 (October 31, 2023 – \$260,936). Based on subsequent collections and a review of outstanding balances, the Company believes no provision for expected credit losses is required at this time.

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization and are amortized over their estimated useful lives as follows:

Office equipment	20% declining balance
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Property and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recovered. An impairment loss is

measured as the amount by which the carrying value of the long-lived asset exceeds its recoverable amount.

Deferred Income Tax Asset

In the nine months ended July 31, 2024, the Company recognized a deferred income tax expense of \$11,500 and, as a result, at July 31, 2024, the Company had deferred income tax assets totaling \$9,200 (October 31, 2023 – \$20,700). The amount of deferred tax assets is based on management's best estimate of probable future taxable income and is subject to a degree of measurement uncertainty.

Financing Agreements

Other than trade and other payables, and income taxes payable, the Company has no debt outstanding.

Contractual Obligations

A summary of the Company's undiscounted contractual obligations, at July 31, 2024:

	Total	Less than 1 year	1 to 5 years
	\$	\$	\$
Trade and other payables	315,010	315,010	-
Income taxes payable	59,149	59,149	-
Premises lease	3,135	3,135	-
	377,294	377,294	-

Capital Expenditures

The Company's primary capital expenditure activities in the past involved the acquisition of deferred development of technology, property and equipment purchases, and capital investments into intellectual property. During the first three-quarters of 2024, capital expenditures were \$4,723 as compared to \$3,575 in the first three-quarters of 2023.

Summary of Significant Accounting Policy Choices or Changes under IFRS

The Company's significant accounting policies have been disclosed in Note 2 of the financial statements.

Foreign currency translation

The Company uses the Canadian dollar as the Company's presentation currency. IFRS requires the assessment of functional currency for the parent and each subsidiary. The functional currency for the Company was determined to be Canadian Dollars.

Property and equipment

The Company uses an historic cost model in reporting its property and equipment.

Management has concluded that there was no impairment in the current and comparative period.

Income taxes

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.

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.

Change in accounting policies

During the nine months ended July 31, 2024, the Company adopted a number of amendments and improvements of existing standards. These new standards and changes did not have any material impact on the Company's financial statements.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 21 – In August 2023, the IASB amended IAS 21 to clarify when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on financial statements. The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted.

Additional Information

Additional information relating to the Company including the interim and annual financial statements are available on SEDAR at www.sedar.com.

Special Dividend

On May 21, 2024, the Company announced a special dividend of \$0.05 per common share of the Company paid on June 11, 2024, to holders of record of common shares on May 29, 2024. The aggregate dividend paid was \$1,350,477 on 27,009,532 common shares. The Company does not plan to make regular dividend distributions in the future, and no ongoing dividend strategy is currently in place.

Outstanding Securities Data

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. During the year ended October 31, 2023, the Company paid \$103,423 for the repurchase and cancellation of 67,000 common shares, including the initial cost for approval and setup of the repurchase arrangement. During the nine months ended July 31, 2024, the Company paid \$321,654 for the repurchase and cancellation of 338,000 common shares.

Summary of securities issued and outstanding as at July 31, 2024

<u>Class</u>	<u>Authorized</u>	<u>Issued and Outstanding</u>
Common	Unlimited	26,881,332

On December 15, 2022, the Company approved the granting of 1,211,250 options under the Company's stock option plan. Options granted carry a five year term, an exercise price of \$0.58 and vest evenly over three years on the anniversary date of the grant. As a result of the special dividend paid June 11, 2024, the exercise price of the stock options is reduced by the equivalent amount of \$0.05.

Options outstanding as of July 31, 2024, are as follows:

<u>Options</u>	<u>Exercise price</u>	<u>Expiry date</u>
1,211,250	\$0.53	December 15, 2027

Options vested as of July 31, 2024, are as follows:

<u>Options</u>	<u>Exercise price</u>	<u>Expiry date</u>
403,750	\$0.53	December 15, 2027

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting for the issuer. They are assisted in this responsibility by the Management team. The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures and the design of internal controls at July 31, 2024, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company would have been known to them. Through the evaluation of the design of its internal controls the Company has identified an internal control weakness in the financial reporting process, specifically a lack of segregation of duties in the accounting process. This situation is common to many small companies. In order to mitigate the impact of this weakness and to ensure quality financial reporting, there are supervisory controls exercised by management and audit committee oversight, and interim and annual financial statements are reviewed by the Company's board. While the deficiency in segregation of duties could lead to a material misstatement in the financial statements, management believes that its supervisory and review controls are sufficient to prevent a material misstatement from occurring.

Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, revenue and expenses and the accompanying notes. Actual results could differ from these estimates under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The areas that management makes critical estimates,

assumptions and judgments are useful lives and impairment of property and equipment, probable future taxable income, recoverability of deferred income tax assets, and functional currency of the Company. Actual results could differ from those estimates.

Investor Relations

Personnel employed directly by the Company handle all investor relations. The duties include news releases, investor communications and general day to day operations of this department.

Legal Proceedings

There are no outstanding legal proceedings.

Environmental Issues

Given the nature of the Company's business, there are no material environmental issues.

Risk Factors

Dependence on Management

The Company's success is dependent on its founders, directors and management team. The loss of the services of key personnel could make it more difficult to successfully operate the Company's business and pursue its business goals.

Ability to Attract and Retain Personnel

Significant competition exists for skilled personnel and as a result of that competition we are seeing wage and labor cost escalation in various areas and levels within our workforce. Our success is highly dependent on our ability to identify, hire, train, motivate, promote, and retain individuals. In responding to inflationary wage pressure to retain or attract individuals, we could see increases in our operating costs that outpace our ability to grow revenues. If we fail to cross train employees, particularly those with specialized knowledge it could impair our ability to provide consistent and uninterrupted service to our customers. If we are not able to attract, retain or establish an effective succession planning program for individuals it could have a material adverse effect on our business, results of operations, financial condition and the price of our common shares.

Fluctuations in Monetary Exchange

Historically, the largest percentage of our revenues have been denominated in U.S. dollars. However, the majority of our expenses, including employee wages, have been denominated in Canadian dollars. Therefore, changes in the value of the U.S. dollar as compared to the Canadian dollar may materially affect our operating results. We generally have not implemented hedging programs to mitigate our exposure to currency fluctuations affecting international accounts receivable, cash balances and payables. We also have not hedged our exposure to currency fluctuations affecting future international revenues and expenses and other commitments. Accordingly, currency exchange rate fluctuations have caused, and may

continue to cause, variability in our foreign currency denominated revenue streams, receivables, expenses and liabilities.

Market Condition Risks

The Company's products are sold to large participants in the currency management marketplace including banks, currency providers, retail service providers and in turn their retail clients. While these participants are interested in improving their efficiency in managing and handling currency, economic uncertainty could cause them to restrict capital budgets required to bring this efficiency to their operations. Further, the merger and acquisition activity in the financial services sector at the present time creates both an opportunity and risk for suppliers to the industry. When two banks merge, the continuing entity usually selects one technology provider for a given function. Our experience in the past would suggest that the provider with the largest installed base in the combined entity will replace the provider with the smaller installed base, predicated upon a smaller cost of conversion rather than ultimate efficiency of one service versus another. The good news, however, is that currency management and handling systems are absolutely required by the surviving entity.

While retailers may not be prepared to make capital acquisitions of sophisticated cash and coin handling systems, the major currency providers and carriers have for the last few years been transitioning their business to the provision of a complete turnkey service as opposed to merely transporting currency to and from retail establishments. Our "SaaS" Cirreon technology for this market is leading edge and has been adopted by the largest of these currency transport and providers.

Financing Risk

Notwithstanding Management's strong belief that the trends in the marketplace with respect to the Company's products are positive and improving, there can be no assurance that third party funding will be available in the future on terms acceptable to the Company.

Competition Risk

The Company's business is in a competitive market and it competes with companies that have greater resources, experience and market stature. However, our products are considered by the marketplace to be "state-of-the-art" and the stature of our distributor marketing partners mitigate the competitive risk.

Product Performance and Availability Risk

Product or network failures and cyber-security breaches can have a significant, negative impact on the business including, but not limited to, reducing sales, increasing costs and impairing our reputation.

The Company's products are tested extensively and must meet certain quality assurance tests prior to delivery to customers.

We rely on information technology networks and systems to process, transmit and store electronic information. Any disruption to our services and products, our own information systems or communications networks or those of third-party providers on which we rely as part of our own product offerings could result in the inability of our customers to receive our products for an indeterminate period of time. Our ability to deliver our products and services depends on the

development and maintenance of internet infrastructure by third parties. This includes maintenance of reliable networks with the necessary security, speed, data capacity and bandwidth. While our services are designed to operate without interruption, we have experienced, and may in the future experience, interruptions and delays in services and availability from time to time. In the event of a catastrophic event with respect to one or more of our systems, we may experience an extended period of system unavailability, which could negatively impact our relationship with customers.

In addition, any disruption to the availability of customer information, or any compromise to the integrity or confidentiality of customer information in our systems or networks, or the systems or networks of third parties on which we rely, could result in our customers being unable to effectively use our products or services or being forced to take mitigating actions to protect their information.

Any actual or perceived threat of disruption to our services or any compromise of customer information could impair our reputation and cause us to lose customers or revenue, or face litigation, necessitate customer service or repair work that would involve substantial costs and distract management from operating our business. Despite the implementation of advanced threat protection, information and network security measures and disaster recovery plans, our systems and those of third parties on which we rely may be vulnerable. If we are unable (or are perceived as being unable) to prevent, or promptly identify and remedy, such outages and breaches, our operations may be disrupted, our business reputation could be adversely affected, and there could be a negative impact on our financial condition and results of operations.

Market for Securities

The common shares of the Company are listed and posted for trading on the TSX Venture Exchange under the trading symbol "CTZ".

Toronto, Ontario
September 23, 2024