

## **NamSys Inc.**

Unaudited Condensed Interim Financial Statements  
Expressed in Canadian Dollars  
For the nine months ended July 31, 2024 and 2023

## **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 23, 2024

# NamSys Inc.

## CONDENSED BALANCE SHEETS (Unaudited)

	July 31, 2024	October 31, 2023
(Expressed in Canadian dollars)		
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	1,159,436	1,119,089
Short term investments (Note 15)	6,263,364	6,099,223
Trade and other receivables (Note 3)	1,058,546	1,181,189
Prepaid expenses	191,510	139,050
<b>TOTAL CURRENT ASSETS</b>	<b>8,672,856</b>	<b>8,538,551</b>
<b>PROPERTY AND EQUIPMENT (Note 4)</b>	<b>31,012</b>	<b>31,257</b>
<b>DEFERRED INCOME TAXES (Note 9)</b>	<b>9,200</b>	<b>20,700</b>
<b>TOTAL ASSETS</b>	<b>8,713,068</b>	<b>8,590,508</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables (Notes 5, 8 and 11)	315,010	423,386
Income taxes payable (Note 9)	59,149	129,771
Deferred revenue (Note 7)	641,311	287,783
<b>TOTAL LIABILITIES</b>	<b>1,015,470</b>	<b>840,940</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	5,202,442	5,524,096
Reserve (Note 6)	280,636	191,468
Retained earnings	2,214,520	2,034,004
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>7,697,598</b>	<b>7,749,568</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>8,713,068</b>	<b>8,590,508</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)	2024	2023
	\$	\$
<b>REVENUE (Note 7)</b>	<b>4,985,923</b>	4,536,983
<b>COST OF SALES (Notes 6 and 14)</b>	<b>1,874,774</b>	1,785,476
<b>GROSS PROFIT</b>	<b>3,111,149</b>	2,751,507
<b>EXPENSES</b>		
Selling (Notes 6, 8 and 14)	287,385	275,555
General and administration (Notes 4, 6, 8 and 14)	929,339	866,665
Bad debt expense (Note 3)	-	23,004
<b>TOTAL EXPENSES</b>	<b>1,216,724</b>	1,165,224
<b>OPERATING INCOME</b>	<b>1,894,425</b>	1,586,283
<b>Other income (expenses)</b>		
Interest income (Note 15)	216,195	128,306
Gain (loss) on foreign exchange	4,743	(93,300)
<b>Total other income (expenses)</b>	<b>220,938</b>	35,006
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,115,363</b>	1,621,289
<b>INCOME TAX (EXPENSE) RECOVERY (Note 9)</b>		
Deferred taxes	(11,500)	10,300
Current taxes	(572,870)	(479,759)
<b>TOTAL INCOME TAX (EXPENSE) RECOVERY</b>	<b>(584,370)</b>	(469,459)
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>1,530,993</b>	1,151,830
<b>INCOME PER SHARE (Note 10)</b>		
Basic	0.06	0.04
Diluted	0.06	0.04
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		
Basic	27,075,787	27,286,332
Diluted	27,536,161	27,549,798

# NamSys Inc.

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

For the three months ended July 31, (Expressed in Canadian dollars)	2024	2023
	\$	\$
<b>REVENUE (Note 7)</b>	<b>1,741,032</b>	1,519,831
<b>COST OF SALES (Notes 6 and 14)</b>	<b>632,434</b>	610,091
<b>GROSS PROFIT</b>	<b>1,108,598</b>	909,740
<b>EXPENSES</b>		
Selling (Notes 6, 8 and 14)	107,696	107,905
General and administration (Notes 4, 6, 8 and 14)	297,464	297,953
<b>TOTAL EXPENSES</b>	<b>405,160</b>	405,858
<b>OPERATING INCOME</b>	<b>703,438</b>	503,882
<b>Other income (expenses)</b>		
Interest income (Note 15)	81,131	61,733
Gain (loss) on foreign exchange	16,280	(52,425)
<b>Total other income (expenses)</b>	<b>97,411</b>	9,308
<b>INCOME BEFORE INCOME TAXES</b>	<b>800,849</b>	513,190
<b>INCOME TAX (EXPENSE) RECOVERY (Note 9)</b>		
Deferred taxes	(500)	(400)
Current taxes	(218,868)	(150,741)
<b>TOTAL INCOME TAX (EXPENSE) RECOVERY</b>	<b>(219,368)</b>	(151,141)
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>581,481</b>	362,049
<b>INCOME PER SHARE (Note 10)</b>		
Basic	0.02	0.01
Diluted	0.02	0.01
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		
Basic	26,966,744	27,286,332
Diluted	27,407,047	27,614,770

# NamSys Inc.

## CONDENSED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

For the nine months ended July 31, 2024 and 2023

	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, 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
<b>Balance as at October 31, 2023</b>	27,219,332	5,524,096	191,468	2,034,004	7,749,568
Net income for the period	-	-	-	1,530,993	1,530,993
Share-based compensation	-	-	89,168	-	89,168
Share repurchases	(338,000)	(321,654)	-	-	(321,654)
Special dividend paid				(1,350,477)	(1,350,477)
<b>Balance as at July 31, 2024</b>	26,881,332	5,202,442	280,636	2,214,520	7,697,598

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)	2024	2023
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income	1,530,993	1,151,830
Non-cash items and change in accrued interest:		
Share-based compensation (Note 6)	89,168	136,421
Depreciation of property and equipment (Note 4)	4,968	5,259
Deferred income tax expense (Note 9)	11,500	(10,300)
Accrued interest on short term investments (Note 15)	46,563	(127,958)
	<u>1,683,192</u>	<u>1,155,252</u>
Changes in:		
Trade and other receivables (Note 3)	122,643	(56,870)
Prepaid expenses	(52,460)	(67,965)
Trade and other payables (Notes 5, 8 and 11)	(108,376)	(23,375)
Income taxes payable (Note 9)	(70,622)	16,473
Deferred revenue (Note 7)	353,528	256,645
	<u>1,927,905</u>	<u>1,280,160</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,927,905</b>	<b>1,280,160</b>
<b>INVESTING ACTIVITIES</b>		
Redemption (purchase) of short term investments (Note 15)	(210,704)	(5,040,377)
Purchase of property and equipment (Note 4)	(4,723)	(3,575)
	<u>(215,427)</u>	<u>(5,043,952)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(215,427)</b>	<b>(5,043,952)</b>
<b>FINANCING ACTIVITIES</b>		
Special dividend paid (Note 6)	(1,350,477)	-
Share repurchases (Note 6)	(321,654)	-
	<u>(1,672,131)</u>	<u>-</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(1,672,131)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	<b>40,347</b>	<b>(3,763,792)</b>
<b>CASH, beginning of period</b>	<b>1,119,089</b>	<b>4,708,122</b>
<b>CASH, end of period</b>	<b>1,159,436</b>	<b>944,330</b>
<b>Supplemental cash flow information:</b>		
Income taxes paid	599,319	428,000

# NamSys Inc.

## CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

For the three months ended July 31, (Expressed in Canadian dollars)	2024	2023
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income	581,481	362,049
Non-cash items and change in accrued interest:		
Share-based compensation (Note 6)	25,006	55,047
Depreciation of property and equipment (Note 4)	1,703	1,791
Deferred income tax expense (recovery) (Note 9)	500	400
Accrued interest on short term investments (Note 15)	(71,834)	(61,606)
	<u>536,856</u>	<u>357,681</u>
Changes in:		
Trade and other receivables (Note 3)	149,089	57,818
Prepaid expenses	(95,292)	(121,805)
Trade and other payables (Notes 5, 8 and 11)	13,037	89,158
Income taxes payable (Note 9)	49,541	15,492
Deferred revenue (Note 7)	(156,570)	(148,745)
	<u>496,661</u>	<u>249,599</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>496,661</b>	<b>249,599</b>
<b>INVESTING ACTIVITIES</b>		
Redemption (purchase) of short term investments (Note 15)	-	(300,000)
Purchase of property and equipment (Note 4)	(1,396)	(607)
	<u>(1,396)</u>	<u>(300,607)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(1,396)</b>	<b>(300,607)</b>
<b>FINANCING ACTIVITIES</b>		
Special dividend paid (Note 6)	(1,350,477)	-
Share repurchases (Note 6)	(117,756)	-
	<u>(1,468,233)</u>	<u>-</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(1,468,233)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	<b>(972,968)</b>	<b>(51,008)</b>
<b>CASH, beginning of period</b>	<b>2,132,404</b>	<b>995,338</b>
<b>CASH, end of period</b>	<b>1,159,436</b>	<b>944,330</b>
<b>Supplemental cash flow information:</b>		
Income taxes paid	153,528	123,000

# NamSys Inc.

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## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(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, 2024 and 2023, were approved and authorized for issue by the Board of Directors on September 23, 2024.

### 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

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.

#### 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, 2024 and 2023

(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, 2024 and 2023

(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, 2024 and 2023

(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, 2024 and October 31, 2023.

#### *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, 2024 and 2023

(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
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#### **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, 2024 and 2023

(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

Software as a service 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.

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, 2024 and 2023

(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 retained earnings.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(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.

#### 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 condensed interim 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.

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### 3. TRADE AND OTHER 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, 2024, approximately 49% of the trade receivable balances are owed from three customers (October 31, 2023 – 67% 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.

Aging of receivables is as follows:

	July 31, 2024	October 31, 2023
	\$	\$
Current	485,200	438,196
Past due in the following periods:		
31 to 60 days	325,447	307,011
61 to 90 days	56,643	142,043
Over 90 days	107,817	260,936
Impaired	-	-
Loss allowance	-	-
Trade receivables	975,107	1,148,186
Other receivables	83,439	33,003
Total trade and other receivables	1,058,546	1,181,189

During the nine months ended July 31, 2023, the Company impaired \$23,004 of accounts receivable. No amounts were impaired in the current period,

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, 2024 and 2023

(Expressed in Canadian Dollars)

### 4. PROPERTY AND EQUIPMENT

	Office Equipment	Total
	\$	\$
<b>At July 31, 2024</b>		
Cost	74,986	74,986
Accumulated depreciation	(43,974)	(43,974)
	<b>31,012</b>	<b>31,012</b>
Carrying value at October 31, 2023	31,257	31,257
Additions	4,723	4,723
Depreciation	(4,968)	(4,968)
<b>Carrying value at July 31, 2024</b>	<b>31,012</b>	<b>31,012</b>

	Office Equipment	Total
	\$	\$
<b>At October 31, 2023</b>		
Cost	70,263	70,263
Accumulated depreciation	(39,006)	(39,006)
	<b>31,257</b>	<b>31,257</b>
Carrying value at October 31, 2022	33,466	33,466
Additions	4,982	4,982
Depreciation	(7,191)	(7,191)
<b>Carrying value at October 31, 2023</b>	<b>31,257</b>	<b>31,257</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, 2024 and 2023

(Expressed in Canadian Dollars)

### 5. TRADE AND OTHER PAYABLES

	July 31, 2024	October 31, 2023
	\$	\$
Remuneration payable	67,666	129,860
Trade payables	56,399	83,387
Related party payables (Note 8(b))	150,576	170,184
Other payables including US State sales taxes	40,369	39,955
	<b>315,010</b>	<b>423,386</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:

	Nine months ended		Year ended	
	July 31, 2024		October 31, 2023	
	Number of Shares	Share Capital \$	Number of Shares	Share Capital \$
Balance, beginning of the period	27,219,332	5,524,096	27,286,332	5,627,519
Share repurchases (a)	(338,000)	(321,654)	(67,000)	(103,423)
Balance, end of the period	<b>26,881,332</b>	<b>5,202,442</b>	27,219,332	5,524,096

(a) 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.

The Company's shares are issued without par value.

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

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

#### 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.

#### 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, April 29, 2022.

As at July 31, 2024, the following incentive stock options were outstanding:

Expiry date	Exercise price \$	Options outstanding		Options exercisable	
		Number of options outstanding	Weighted average remaining contractual life (years)	Number of options vested	Weighted average remaining contractual life (years)
December 15, 2027	0.53	1,211,250	3.38	403,750	3.38

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

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

The following is a summary of stock option transactions for the nine months ended July 31, 2024 and year ended October 31, 2023.

	Nine months ended		Year ended	
	July 31, 2024		October 31, 2023	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of period	1,211,250	0.58	-	-
Options granted	-	-	1,211,250	0.58
Options exercised	-	-	-	-
Options expired/forfeited	-	-	-	-
Modification (a)	-	(0.05)	-	-
Balance, end of period	1,211,250	0.53	1,211,250	0.58

(a) 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. This modification did not result in a material increase in the value of the stock options and, as a result, no additional stock-based compensation expense is recognized in the financial statements.

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).

No options were granted in the nine months ended July 31, 2024. The Company estimated the fair value of options granted during the year ended October 31, 2023, to be \$357,566. The following assumptions were used for the Black-Scholes option pricing model valuation of options granted during the year ended October 31, 2023.

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

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

### 7. REVENUE

#### Sales to major customers

In the nine months ended July 31, 2024, one customer accounted for 20.8% of the Company's revenue (2023 – 25.6%).

#### Revenue breakdown

	2024	2023
	\$	\$
Software subscriptions, hosted services, maintenance and product support	4,939,393	4,473,864
Professional services	46,530	63,119
	<b>4,985,923</b>	<b>4,536,983</b>

#### Deferred revenue

Deferred revenue represents customer payments received for services to be provided subsequent to the reporting date. Significant changes in deferred revenue are as follows:

	July 31, 2024	October 31, 2023
	\$	\$
Deferred revenue, beginning	287,783	222,349
Revenue recognized that was originally deferred	(594,270)	(755,510)
Unearned revenue received	947,798	820,944
Deferred revenue, ending	<b>641,311</b>	<b>287,783</b>

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

### 7. REVENUE (continued)

#### Geographic Information

In the nine months ended July 31, 2024 and 2023, the Company derived sales from multiple geographical areas, as follows:

	2024	2023
	\$	\$
US	3,840,651	3,615,392
Mexico	441,388	352,449
Puerto Rico	193,845	195,888
Dominican Republic	184,130	168,446
Canada	179,664	153,779
Other	146,245	51,029
	<b>4,985,923</b>	<b>4,536,983</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, 2024, the Company expensed \$585,000 (2023 – \$525,000) in remuneration to directors and other members of key management personnel. Included in key management compensation expense for the nine months ended July 31, 2024, is share-based compensation of \$31,471 in respect of stock options granted (2023 – \$48,148).

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, 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.

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.

# NamSys Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

### 9. INCOME TAXES

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Income before income taxes	<b>2,115,363</b>	1,621,289
Combined basic Canadian federal and provincial income tax rate	<b>26.50%</b>	26.50%
Provision for income taxes based on above rates	<b>560,571</b>	429,642
Adjustments to determine taxable income	<b>23,799</b>	39,817
Income tax expense	<b>584,370</b>	469,459

The following summarizes the components of deferred income tax assets:

	<u>July 31, 2024</u>	<u>October 31, 2023</u>
	\$	\$
<b>Deferred tax assets</b>		
Property and equipment	<b>9,200</b>	10,100
Unpaid bonus accrual	-	10,600
<b>Net deferred tax assets</b>	<b>9,200</b>	20,700

### 10. INCOME PER SHARE

For the nine months ended July 31, 2024 and 2023, the following table sets forth the computation of basic and diluted income per share:

	<u>2024</u>	<u>2023</u>
	\$	\$
Net income for purposes of calculating basic and diluted income per share	<b>1,530,993</b>	1,151,830
	<u>Number</u>	<u>Number</u>
	<u>of Shares</u>	<u>of Shares</u>
Weighted average shares outstanding	<b>27,075,787</b>	27,286,332
Dilutive effect of employee stock options	<b>460,374</b>	263,466
Weighted average common and common equivalent shares outstanding	<b>27,536,161</b>	27,549,798
Income per share	\$	\$
Basic	<b>0.06</b>	0.04
Diluted	<b>0.06</b>	0.04

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

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### 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.

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.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

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### 11. FINANCIAL INSTRUMENTS (continued)

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, 2024, approximately 96% of the Company's sales revenues are denominated in U.S. dollars (2023 – 97%). 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. At July 31, 2024, cash balances included U.S. \$305,750 (October 31, 2023 – U.S. \$157,017), trade and other receivables included U.S. \$657,158 (October 31, 2023 – U.S. \$795,806), trade and other payables included U.S. \$427 (October 31, 2023 – U.S. \$1,507) and deferred revenue of U.S. \$465,000 (October 31, 2023 – U.S. \$208,000). 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.

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 \$7,697,598 as at July 31, 2024 (October 31, 2023 – \$7,749,568). 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.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

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### 12. MANAGEMENT OF CAPITAL (continued)

As of July 31, 2024, 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, 2024 and 2023.

### 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, 2024.

#### Office lease

The Company executed a short term lease agreement commencing January 1, 2024 and ending December 31, 2024, for office space. Monthly lease payments total \$7,474 over the 12 month term of the agreement.

#### Income, value added 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.

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 three employees in the event their employment is terminated without cause. As of July 31, 2024, the estimated amount of the commitment is \$1,080,000. 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, 2024, included \$1,237,364 (2023 – \$1,224,381) recognized in cost of sales, \$167,108 (2023 – \$158,225) recognized in selling expenses, and \$399,233 (2023 – \$387,365) recognized in general and administration expenses.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

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### 15. 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).

### 16. SUBSEQUENT EVENTS

As described in Note 6, on August 29, 2023, the Company announced that it had received approval for an NCIB to purchase up to 1,364,316 common shares representing 5% of the Company's then current issued and outstanding common shares. Subsequent to July 31, 2024, the Company has purchased 17,600 shares for cancellation pursuant to the NCIB.