

NamSys Inc.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2023

The following is a discussion and analysis of the results of operations and financial condition of the Company for the year ended October 31, 2023 and 2022 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.

SELECTED ANNUAL INFORMATION

The table below presents selected annual information derived from the Company's financial statements for each of the three most recently completed financial years ending October 31:

	2023	2022	2021
	\$	\$	\$
Total Revenue	6,093,020	5,394,781	4,975,128
Operating Income (Loss)	2,107,434	1,753,157	1,830,143
Comprehensive Income (Loss)	1,614,875	1,394,440	1,266,623
Income (Loss) per share:			
Basic	0.06	0.05	0.05
Diluted	0.06	0.05	0.05
Total Assets	8,590,508	6,706,058	5,462,475
Total Long Term Liabilities	-	-	-

Quarterly Financial Data

The table below presents selected financial data of the Company for each of the eight fiscal quarters ended October 31, 2023:

	Fiscal quarter end							
	Oct. 31 2023	Jul. 31 2023	Apr. 30 2023	Jan. 31 2023	Oct. 31 2022	Jul. 31 2022	Apr. 30 2022	Jan. 31 2022
	(in thousands of dollars)							
Revenue	1,556	1,520	1,520	1,497	1,438	1,367	1,317	1,273
Gross profit	901	910	929	912	837	848	773	689
Income after tax	463	362	411	379	422	368	313	291
Income per share:								
Basic	0.017	0.013	0.015	0.014	0.015	0.014	0.011	0.011
Diluted	0.017	0.013	0.015	0.014	0.015	0.014	0.011	0.011

Results of Operations

Three months ended October 31, 2023 compared to Three months ended October 31, 2022

Revenue

	2023	2022	Change	Change %
	\$	\$	\$	
Software subscriptions, hosted services, maintenance and product support	1,533,833	1,427,930	105,903	7.4%
Professional services	22,204	10,113	12,091	119.6%
	1,556,037	1,438,043	117,994	8.2%

Revenue in the three months ended October 31, 2023, increased in comparison to the same period in the prior year. The Company's total sales for the three months ended October 31, 2023, were \$1,556,037 as compared to \$1,438,043 for the corresponding period in 2022, an increase of \$117,994 or 8.2%. 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 October 31, 2023, represented \$1,533,833 of the total revenue compared to \$1,427,930 for the corresponding three months the previous year, an increase of \$105,903 or 7.4%. Recurring revenue represented 98.6% of total sales revenue in the three months ended October 31, 2023, as compared to 99.3% in the same three months of fiscal 2022.

Cost of Goods Sold and Gross Profit

Three months ended October 31, 2023 compared to Three months ended October 31, 2022

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 October 31, 2023, was \$655,044 compared to \$601,477 in the corresponding period in 2022. The overall Gross Profit achieved in the fourth quarter of 2023 was \$900,993 or 57.9%, compared to Gross Profit for the corresponding period in 2022 of \$836,566 or 58.2%, a decrease in Gross Margin percentage of 0.3 percentage points.

Selling Expenses

Three months ended October 31, 2023 compared to Three months ended October 31, 2022

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 October 31, 2023, totaled \$105,896, an increase of \$15,909 or 17.7% from \$89,987 in the corresponding period of 2022. This increase is mostly due to share-based compensation of \$9,714 expensed in the quarter. Various other selling expenses increased by an aggregate of \$6,195 in the period, such that the total increase in selling expenses is \$15,909. Selling expense was 6.8% of revenue in the fourth quarter of 2023 as compared to 6.3% in the 2022 same quarter, recognizing that revenues in the 2023 period were up \$117,994 or 8.2% from the 2022 comparative period.

General and Administration Expenses

Three months ended October 31, 2023 compared to Three months ended October 31, 2022

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 \$273,946 in the three months ended October 31, 2023, as compared to \$262,238 in the 2022 comparative period, an increase of \$11,708 or 4.5%. This increase is due to share-based compensation of \$17,042 expensed in the quarter. Various other G&A expenses decreased in aggregate by \$5,334 in the period, such that the total increase in G&A expenses is only \$11,708.

Depreciation of property and equipment for the three months ended October 31, 2023, of \$1,932 decreased by \$52 or 2.6% from \$1,984 in the same period of 2022. 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 17.6% in the fourth quarter of 2023 as compared to 18.2% in the 2022 fourth 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 October 31, 2023, the Company held a \$900,000 cashable guaranteed investment certificate which matures on January 31, 2024, and bears interest at a variable rate which was 4.45% per annum at origination, a \$400,000 cashable guaranteed investment certificate which matures on July 28, 2024, and bears interest at a variable rate which was 4.95% per annum at origination, and a \$900,000 cashable guaranteed investment certificate which matures on October 31, 2024, and bears interest at a variable rate which was 4.95% per annum at origination. The Company also held a \$3,740,377 cashable guaranteed investment certificate which matures on February 2, 2024, and bears interest at 4.3% per annum. In respect of short term investments, for the quarter ended October 31, 2023, \$66,806 interest income was recognized (\$nil for the quarter ended October 31, 2022).

Gain (loss) on foreign exchange

The Company recognized a gain on foreign exchange of \$87,520 in the fourth quarter of 2023, whereas a gain of \$93,400 was experienced in the comparative quarter of 2022. This results in a decrease in income of \$5,880 in the 2023 fourth quarter as compared to the 2022 same period. The gain on foreign exchange recognized in the quarter ended October 31, 2023, 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 2023 fourth quarter of \$675,477 (2022 – basic rate of 26.50% and pre-tax income of \$575,280), resulting in a current income tax expense of \$211,832 (2022 – expense of \$152,099). Deferred income tax expense was \$600 in the fourth quarter of 2023 (2022 – \$1,000).

As a result of recognizing a current income tax expense of \$147,582 in the first quarter of 2023, \$181,436 in the second quarter, \$150,741 in the third quarter and \$211,832 in the fourth quarter, remitting income tax of \$185,000, \$120,000, \$123,000 and \$121,500 in the first, second, third and fourth quarters, recording a tax receivable of \$11,242, \$11,795, \$12,249 and \$12,942 due to income tax withholdings made by one of the Company's foreign customers in the first, second, third and fourth quarters, and receiving an income tax refund of \$32,207 with respect to prior foreign tax withholdings, at October 31, 2023, the Company had income taxes payable of \$129,771 (October 31, 2022 – payable of \$3,701).

As a result of recognizing a deferred income tax recovery of \$nil in the first quarter of 2023, \$10,700 in the second quarter, a deferred income tax expense of \$400 in the third quarter and \$600 in the fourth quarter, at October 31, 2023, the Company had deferred income tax assets totaling \$20,700 (October 31, 2022 – \$11,000). This asset primarily relates to deferred tax assets from deferral of capital cost allowance and accrued but unpaid bonuses.

Share-based compensation

Share-based compensation for the three months ended October 31, 2023 of \$55,047 (2022 – \$nil) has been expensed to the statement of comprehensive income with a corresponding amount being recorded in the equity settled share-based payments reserve in shareholders' equity. The total expense of \$55,047 for the three months ended October 31, 2023 (2022 – \$nil) was charged as follows: \$28,291 to cost of sales (2022 – \$nil); \$9,714 to selling expenses (2022 – \$nil); and \$17,042 to general and administration expenses (2022 – \$nil).

Comprehensive Income and Income Per Share

As a result of the factors discussed above, the comprehensive income after tax for the three months ended October 31, 2023 was \$463,045 as compared to a comprehensive income of \$422,181 in the three months ended October 31, 2022.

Three months ended October 31,

	2023	2022
	\$	\$
Comprehensive income	463,045	422,181
Income per share:		
Basic	0.02	0.02
Diluted	0.02	0.02

For the three months ended October 31, 2023, the weighted average number of shares outstanding used to calculate basic income per share was 27,281,115 (2022 – 27,286,332) and diluted income per share was 27,561,574 (2022 – 27,286,332).

Year ended October 31, 2023 compared to Year ended October 31, 2022

Revenue

	2023	2022	Change	Change %
	\$	\$	\$	
Software subscriptions, hosted services, maintenance and product support	6,007,697	5,325,120	682,577	12.8%
Professional services	85,323	69,661	15,662	22.5%
	6,093,020	5,394,781	698,239	12.9%

Revenue in the year ended October 31, 2023, increased in comparison to the same period in the prior year. The Company's total sales for the year ended October 31, 2023, were

\$6,093,020 as compared to \$5,394,781 for the corresponding period in 2022, an increase of \$698,239 or 12.9%. 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 year ended October 31, 2023, represented \$6,007,697 of the total revenue compared to \$5,325,120 for the corresponding twelve months the previous year, an increase of \$682,577 or 12.8%. Recurring revenue represented 98.6% of total sales revenue in the year ended October 31, 2023, as compared to 98.7% in the same twelve months of fiscal 2022.

Cost of Goods Sold and Gross Profit

Year ended October 31, 2023 compared to Year ended October 31, 2022

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 year ended October 31, 2023, was \$2,440,520 compared to \$2,248,149 in the corresponding period in 2022. The overall Gross Profit achieved in fiscal year 2023 was \$3,652,500 or 59.9%, compared to Gross Profit for the corresponding period in 2022 of \$3,146,632 or 58.3%, an increase in Gross Margin percentage of 1.6 percentage points.

Selling Expenses

Year ended October 31, 2023 compared to Year ended October 31, 2022

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 year ended October 31, 2023, totaled \$381,451, an increase of \$50,862 or 15.4% from \$330,589 in the corresponding period of 2022. This increase is due to higher travel and trade show attendance costs of \$38,467 as pre-Covid, in-person industry events return, and share-based compensation of \$33,788 expensed in fiscal year 2023. Various other selling expenses decreased by an aggregate of \$21,393 in the period, such that the net increase in selling expenses is \$50,862. Selling expense was 6.3% of revenue in fiscal year 2023 as compared to 6.1% in the 2022 same period, recognizing that revenues in the 2023 period were up \$698,239 or 12.9% from the 2022 comparative period.

General and Administration Expenses

Year ended October 31, 2023 compared to Year ended October 31, 2022

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 \$1,140,611 in the year ended October 31, 2023, as compared to \$1,060,340 in the 2022 comparative period, an increase of \$80,271 or 7.6%. This increase is due to share-based compensation of \$59,277 expensed in fiscal year 2023 as well as an increase of \$32,450 in insurance costs. Various other G&A expenses decreased in aggregate by \$11,456 in the period, such that the net increase in G&A expenses is \$80,271.

Depreciation of property and equipment for the year ended October 31, 2023, of \$7,191 decreased by \$4,837 or 40.2% from \$12,028 in the same period of 2022. The higher depreciation cost in the comparative period is due to the write-off of undepreciated leasehold improvements in respect of office space the Company exited December 31, 2021. Otherwise, the level of amortization is a result of the Company incurring only minor expenditures for property and equipment over the last several years.

Depreciation of the right-of-use asset for the year ended October 31, 2023, is \$nil (2022 – \$10,768). The Company adopted IFRS 16 – Leases on November 1, 2019. The adoption of IFRS 16 resulted in the recognition of a right-of-use asset in respect of the Company’s operating premises lease. The right-of-use asset was depreciated on a straight-line basis over the lease term, which expired December 31, 2021.

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 18.7% in fiscal year 2023 as compared to 19.7% in the 2022 fiscal year.

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.

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 period. Also, the Company incurred no interest expense in respect of outstanding debt in the comparative period, other than a finance cost on a lease liability that terminated December 31, 2021.

Interest income

At October 31, 2023, the Company held a \$900,000 cashable guaranteed investment certificate which matures on January 31, 2024, and bears interest at a variable rate which was 4.45% per annum at origination, a \$400,000 cashable guaranteed investment certificate which matures on July 28, 2024, and bears interest at a variable rate which was 4.95% per annum at origination, and a \$900,000 cashable guaranteed investment certificate which matures on October 31, 2024, and bears interest at a variable rate which was 4.95% per annum at origination. The Company also held a \$3,740,377 cashable guaranteed investment certificate

which matures on February 2, 2024, and bears interest at 4.3% per annum. In respect of short term investments, for the year ended October 31, 2023, interest income of \$194,763 was recognized (\$5,757 for the year ended October 31, 2022).

Finance cost on lease liability

The Company adopted IFRS 16 – Leases on November 1, 2019. The adoption of IFRS 16 resulted in the recognition of a lease liability in respect of the Company's operating premises lease which expired December 31, 2021. Each lease payment included in the lease liability was apportioned between the repayment of the liability and a finance cost. For the year ended October 31, 2023, the finance cost recognized was \$nil (2022 – \$55).

Gain (loss) on foreign exchange

The Company recognized a loss on foreign exchange of \$5,780 in fiscal year 2023, whereas a gain of \$139,768 was experienced in the comparative fiscal year of 2022. This results in a decrease in income of \$145,548 in the 2023 fiscal year as compared to the 2022 same period. The loss on foreign exchange recognized in the year ended October 31, 2023, 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 2023 fiscal year of \$2,296,766 (2022 – basic rate of 26.50% and pre-tax income of \$1,898,682), resulting in a current income tax expense of \$691,591 (2022 – expense of \$502,242). Deferred income tax recovery was \$9,700 in fiscal year 2023 (2022 – expense of \$2,000).

As a result of recognizing a current income tax expense of \$691,591 in fiscal year 2023, remitting income tax of \$549,500, recording a tax receivable of \$48,228 due to income tax withholdings made by one of the Company's foreign customers, and receiving an income tax refund of \$32,207 with respect to prior foreign tax withholdings, at October 31, 2023, the Company had income taxes payable of \$129,771 (October 31, 2022 – payable of \$3,701).

As a result of recognizing a deferred income tax recovery of \$9,700 in fiscal year 2023, at October 31, 2023, the Company had deferred income tax assets totaling \$20,700 (October 31, 2022 – \$11,000). This asset primarily relates to deferred tax assets from deferral of capital cost allowance and accrued but unpaid bonuses.

Related Party Transactions

The following summarizes the Company's related party transactions:

- a) Included in general and administration expenses in the year ended October 31, 2023, are rent and administration expenses of \$45,600 (2022 – \$45,600) for the Head office rental and corporate secretarial functions of the Company. These expenses, along with management fees of \$60,000 (2022 – \$60,000), have been paid in lieu of salary to a company that is partially owned by the Executive Chairman

of the Company (“Chairman”). In addition, selling expenses include consulting expenses for sales and marketing in the amount of \$45,000 incurred in the year ended October 31, 2023 (2022 – \$45,000) from a company that is controlled by the Founder of the Company.

- b) The only liabilities due to related parties at October 31, 2023, are amounts due to directors of \$170,184 (October 31, 2022 – \$189,870) 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.

Share-based compensation

As described in Note 6 of the financial statements, share-based compensation for the year ended October 31, 2023 of \$191,468 (2022 – \$nil) has been expensed to the statement of comprehensive income with a corresponding amount being recorded in the equity settled share-based payments reserve in shareholders’ equity. The total expense of \$191,468 for the year ended October 31, 2023 (2022 – \$nil) was charged as follows: \$98,403 to cost of sales (2022 – \$nil); \$33,788 to selling expenses (2022 – \$nil); and \$59,277 to general and administration expenses (2022 – \$nil).

Comprehensive Income and Income Per Share

As a result of the factors discussed above, the comprehensive income after tax for the year ended October 31, 2023 was \$1,614,875 as compared to a comprehensive income of \$1,394,440 in the year ended October 31, 2022.

Year ended October 31,

	2023	2022
	\$	\$
Comprehensive income	1,614,875	1,394,440
Income per share:		
Basic	0.06	0.05
Diluted	0.06	0.05

For the year ended October 31, 2023, the weighted average number of shares outstanding used to calculate basic income per share was 27,285,017 (2022 – 27,286,332) and diluted income per shares was 27,598,769 (2022 – 27,286,332).

Liquidity and Capital Resources

General

During the most recent five year period ended October 31, 2023, the Company funded all capital expenditures, operations and debt reduction from cash flow.

Cash Flow from Operations

The Company had working capital of \$7,846,344 at October 31, 2023, compared to working capital of \$6,109,861 at October 31, 2022. Excluded from the October 31, 2023,

working capital calculations are: prepaid expenses of \$139,050 (October 31, 2022 – \$114,670); and deferred revenue of \$287,783 (October 31, 2022 – \$222,349).

For the year ended October 31, 2023, the Company had positive cash flow from operations of \$1,659,749 as compared to positive cash flow from operations of \$962,018 in the year ended October 31, 2022.

BALANCE SHEET

Short Term Investments

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

Total interest earned for the year ended October 31, 2023 in respect of short term investments amounted to \$194,763 (2022 – \$5,727).

Trade and Other Receivables

At October 31, 2023, the company had trade and other receivables of \$1,181,189 (October 31, 2022 – \$1,038,800). The amount of receivables over 90 days past due, at October 31, 2023, is \$260,936 (October 31, 2022 – \$245,716). 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
Leasehold improvements	5 years straight-line

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 year ended October 31, 2023, the Company recognized a deferred income tax recovery of \$9,700 and, as a result, at October 31, 2023, the Company had deferred income tax assets totaling \$20,700 (October 31, 2022 – \$11,000). 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 October 31, 2023:

	Total	Less than 1 year	1 to 5 years
	\$	\$	\$
Trade and other payables	423,386	423,386	-
Income taxes payable	129,771	129,771	-
Premises lease	1,155	1,155	-
	554,312	554,312	-

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 fiscal year 2023, capital expenditures were \$4,982 as compared to \$9,311 in fiscal year 2022.

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 year ended October 31, 2023, 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.

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 period ended October 31, 2023, the Company paid \$103,423 for the repurchase and cancellation of 67,000 common shares. The amount paid includes the initial cost for approval and setup of the repurchase arrangement.

Summary of securities issued and outstanding as at October 31, 2023

<u>Class</u>	<u>Authorized</u>	<u>Issued and Outstanding</u>
Common	Unlimited	27,219,332

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.

Options outstanding as of October 31, 2023, are as follows:

<u>Options</u>	<u>Exercise price</u>	<u>Expiry date</u>
1,211,250	\$0.58	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 October 31, 2023, 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
February 22, 2024