

NamSys Inc.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED APRIL 30, 2025

The following is a discussion and analysis of the results of operations and financial condition of NamSys Inc. (“NamSys” or “the Company”) for the six months ended April 30, 2025 and 2024 along with certain factors that may affect the Company’s prospective financial condition and results of operations.

Forward-Looking Statements

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

Overview

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

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

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

Quarterly Financial Data

The table below presents selected financial data of the Company for each of the eight fiscal quarters ended April 30, 2025:

	Fiscal quarter end							
	Apr. 30 2025	Jan. 31 2025	Oct. 31 2024	Jul. 31 2024	Apr. 30 2024	Jan. 31 2024	Oct. 31 2023	Jul. 31 2023
	(in thousands of dollars)							
Revenue	2,010	1,942	1,854	1,741	1,661	1,584	1,556	1,520
Gross profit	1,325	1,263	1,158	1,109	1,047	956	901	910
Income after tax	557	702	559	581	524	426	463	362
Income per share:								
Basic	0.021	0.026	0.021	0.022	0.019	0.016	0.017	0.013
Diluted	0.020	0.026	0.020	0.021	0.019	0.015	0.017	0.013

Results of Operations

Three months ended April 30, 2025 compared to Three months ended April 30, 2024

Revenue

	2025	2024	Change	Change %
	\$	\$	\$	
Software subscriptions, hosted services, maintenance and product support	2,002,168	1,638,314	363,854	22.2%
Professional services	8,082	22,306	(14,224)	-63.8%
	2,010,250	1,660,620	349,630	21.1%

Revenue in the three months ended April 30, 2025, increased in comparison to the same period in the prior year. The Company's total sales for the three months ended April 30, 2025, were \$2,010,250 as compared to \$1,660,620 for the corresponding period in 2024, an increase of \$349,630 or 21.1%. 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 April 30, 2025, represented \$2,002,168 of the total revenue compared to \$1,638,314 for the corresponding three months the previous year, an increase of \$363,854 or 22.2%. Recurring revenue represented 99.6% of total sales revenue in the three months ended April 30, 2025, as compared to 98.7% in the same three months of fiscal 2024.

Cost of Goods Sold and Gross Profit

Three months ended April 30, 2025 compared to Three months ended April 30, 2024

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 April 30, 2025, was \$685,473 compared to \$613,742 in the corresponding period in 2024. The overall Gross Profit achieved in the second quarter of 2025 was \$1,324,777 or 65.9%, compared to Gross Profit for the corresponding period in 2024 of \$1,046,878 or 63.0%, an increase in Gross Margin percentage of 2.9 percentage points. The increase in Gross Margin is due to the level of staffing resources

remaining relatively flat quarter-over-quarter and a decrease in share-based compensation expense recognized in the current period.

Selling Expenses

Three months ended April 30, 2025 compared to Three months ended April 30, 2024

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 April 30, 2025, totaled \$158,557, an increase of \$68,388 or 75.8% from \$90,169 in the corresponding period of 2024. Selling expenses increased with the addition of a new business development position covering the European market and expanded travel costs (\$72,462). Various other selling expenses decreased by an aggregate of \$4,074 in the quarter, such that the total increase in selling expenses is \$68,388. Selling expense was 7.9% of revenue in the second quarter of 2025 as compared to 5.4% in the 2024 same quarter, recognizing that revenues in the 2025 period were up \$349,630 or 21.1% from the 2024 comparative period.

General and Administration Expenses

Three months ended April 30, 2025 compared to Three months ended April 30, 2024

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 \$293,695 in the three months ended April 30, 2025, as compared to \$361,644 in the 2024 comparative period, a decrease of \$67,949 or 18.8%. This decrease is mostly due to a one-time-only management fee of \$50,000 paid in the second quarter of 2024 to a company that was partially owned by the then Chairman of NamSys. Various other G&A expenses decreased in aggregate by \$17,949 in the quarter, such that the total decrease in G&A expenses is \$67,949.

Depreciation of property and equipment for the three months ended April 30, 2025, of \$1,745 increased by \$113 or 6.9% from \$1,632 in the same period of 2024. The level of amortization is a result of the Company incurring only minor expenditures for property and equipment over the last several years.

With the increase in sales, as noted above, and the decrease in G&A expenses, the G&A expense ratio as compared to revenue was 14.6% in the second quarter of 2025 as compared to 21.8% in the 2024 second quarter.

Bad debt expense

In the second quarter of 2025, the Company determined that a trade receivable from one customer was not collectible and wrote off the balance, recognizing a bad debt expense of \$50,746 on the statement of 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 or comparative periods.

Interest income

At April 30, 2025, the Company held a \$900,000 cashable guaranteed investment certificate which matures on October 29, 2025, and bears interest at a variable rate which was 2.70% per annum at origination, a \$4,300,000 cashable guaranteed investment certificate which matures on March 6, 2026, and bears interest at a variable rate which was 2.95% per annum at origination, a \$200,025 cashable guaranteed investment certificate which matures on March 25, 2026, and bears interest at a variable rate which was 2.50% per annum at origination, and a \$3,000,000 cashable guaranteed investment certificate which matures on April 30, 2026, and bears interest at a variable rate which was 2.95% per annum at origination. In respect of short term investments, for the quarter ended April 30, 2025, \$44,196 interest income was recognized (\$67,443 for the quarter ended April 30, 2024).

Gain (loss) on foreign exchange

The Company recognized a loss on foreign exchange of \$112,712 in the second quarter of 2025, whereas a gain of \$58,171 was experienced in the comparative quarter of 2024. This results in a decrease in income of \$170,883 in the 2025 second quarter as compared to the 2024 same period. The loss on foreign exchange recognized in the quarter ended April 30, 2025, 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 2025 second quarter of \$762,398 (2024 – basic rate of 26.50% and pre-tax income of \$720,679), resulting in a current income tax expense of \$205,337 (2024 – expense of \$196,551). Deferred income tax recovery was \$300 in the second quarter of 2025 (2024 – expense of \$200).

As a result of recognizing a current income tax expense of \$260,405 in the first quarter of 2025 and \$205,337 in the second quarter, remitting income tax of \$361,176 and \$131,000 in the first and second quarters, and recording tax receivables of \$nil and \$32,342 due to income tax withholdings made by one of the Company's foreign customers in the first and second quarters, at April 30, 2025, the Company had income taxes payable of \$44,529 (October 31, 2024 – \$103,305)

As a result of recognizing a deferred income tax recovery of \$600 in the first quarter of 2025 and \$300 in the second quarter, at April 30, 2025, the Company had deferred income tax assets totaling \$10,000 (October 31, 2024 – \$9,100). This asset primarily relates to deferred tax assets from deferral of capital cost allowance.

Share-based compensation

Share-based compensation for the three months ended April 30, 2025 of \$9,678 (2024 – \$24,462) 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 \$9,678 for the three months ended April 30, 2025 (2024 – \$24,462) was charged as follows: \$4,974 to cost of sales (2024 – \$12,572); \$1,708 to selling expenses (2024 – \$4,317); and \$2,996 to general and administration expenses (2024 – \$7,573).

Comprehensive Income and Income Per Share

As a result of the factors discussed above, the comprehensive income after tax for the three months ended April 30, 2025 was \$557,361 as compared to a comprehensive income of \$523,928 in the three months ended April 30, 2024.

Three months ended April 30,

	2025	2024
	\$	\$
Comprehensive income	557,361	523,928
Income per share:		
Basic	0.02	0.02
Diluted	0.02	0.02

For the three months ended April 30, 2025, the weighted average number of shares outstanding used to calculate basic income per share was 26,863,732 (2024 – 27,073,219) and diluted income per share was 27,550,054 (2024 – 27,528,017).

Six months ended April 30, 2025 compared to Six months ended April 30, 2024

Revenue

	2025	2024	Change	Change %
	\$	\$	\$	
Software subscriptions, hosted services, maintenance and product support	3,929,927	3,219,882	710,045	22.1%
Professional services	21,936	25,010	(3,074)	-12.3%
	3,951,863	3,244,892	706,971	21.8%

Revenue in the six months ended April 30, 2025, increased in comparison to the same period in the prior year. The Company's total sales for the six months ended April 30, 2025, were \$3,951,863 as compared to \$3,244,892 for the corresponding period in 2024, an increase of \$706,971 or 21.8%. 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 six months ended April 30, 2025, represented \$3,929,927 of the total revenue compared to \$3,219,882 for the corresponding six months the previous year, an increase of \$710,045 or 22.1%. Recurring revenue represented 99.4% of total sales revenue in the six months ended April 30, 2025, as compared to 99.2% in the same six months of fiscal 2024.

Cost of Goods Sold and Gross Profit

Six months ended April 30, 2025 compared to Six months ended April 30, 2024

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 six months ended April 30, 2025, was \$1,364,558 compared to \$1,242,339 in the corresponding period in 2024. The overall Gross Profit achieved in the first half of 2025 was \$2,587,305 or 65.5%, compared to Gross Profit for the corresponding period in 2024 of \$2,002,553 or 61.7%, an increase in Gross Margin percentage of 3.8 percentage points. The increase in Gross Margin is due to a decrease in share-based compensation expense recognized in the current period and the level of staffing resources remaining relatively flat year-over-year.

Selling Expenses

Six months ended April 30, 2025 compared to Six months ended April 30, 2024

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 six months ended April 30, 2025, totaled \$335,511, an increase of \$155,822 or 86.7% from \$179,689 in the corresponding period of 2024. Selling expenses increased with the addition of a new business development position covering the European market and expanded travel as well as trade show attendance costs (\$150,019). Various other selling expenses increased by an aggregate of \$5,803 in the half-year period, such that the total increase in selling expenses is \$155,822. Selling expense was 8.5% of revenue in the first half of 2025 as compared to 5.5% in the 2024 same half-year period, recognizing that revenues in the 2025 period were up \$706,971 or 21.8% from the 2024 comparative period.

General and Administration Expenses

Six months ended April 30, 2025 compared to Six months ended April 30, 2024

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 \$574,253 in the six months ended April 30, 2025, as compared to \$631,876 in the 2024 comparative period, a decrease of \$57,623 or 9.1%. This decrease is mostly due to a one-time-only management fee of \$50,000 paid in the second quarter of 2024 to a company that was partially owned by the then Chairman of NamSys. Various other G&A expenses decreased in aggregate by \$7,623 in the period, such that the total decrease in G&A expenses is \$57,623.

Depreciation of property and equipment for the six months ended April 30, 2025, of \$3,449 increased by \$184 or 5.6% from \$3,265 in the same period of 2024. The level of amortization is a result of the Company incurring only minor expenditures for property and equipment over the last several years.

With the increase in sales, as noted above, and the decrease in G&A expenses, the G&A expense ratio as compared to revenue was 14.5% in the first half of 2025 as compared to 19.5% in the 2024 first half.

Bad debt expense

In the second quarter of 2025, the Company determined that a trade receivable from one customer was not collectible and wrote off the balance, recognizing a bad debt expense of \$50,746 on the statement of 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 or comparative periods.

Interest income

At April 30, 2025, the Company held a \$900,000 cashable guaranteed investment certificate which matures on October 29, 2025, and bears interest at a variable rate which was 2.70% per annum at origination, a \$4,300,000 cashable guaranteed investment certificate which matures on March 6, 2026, and bears interest at a variable rate which was 2.95% per annum at origination, a \$200,025 cashable guaranteed investment certificate which matures on March 25, 2026, and bears interest at a variable rate which was 2.50% per annum at origination, and a \$3,000,000 cashable guaranteed investment certificate which matures on April 30, 2026, and bears interest at a variable rate which was 2.95% per annum at origination. In respect of short term investments, for the six months ended April 30, 2025, \$115,058 interest income was recognized (\$135,063 for the six months ended April 30, 2024).

Gain (loss) on foreign exchange

The Company recognized a loss on foreign exchange of \$34,680 in the first half of 2025, whereas a loss of \$11,537 was experienced in the comparative half-year period of 2024. This results in a decrease in income of \$23,143 in the 2025 first half as compared to the 2024 same period. The loss on foreign exchange recognized in the six months ended April 30, 2025, 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 half-year period. The Company invoices its foreign customers in US dollars and recognizes a foreign exchange gain (loss) when the Canadian

dollar amount of the receivable at period end, or the amount received in the period, is greater (less) than at the time of invoicing.

Provision for Income Taxes

The basic rate of 26.50% was applied to the pre-tax income in the 2025 first half of \$1,724,188 (2024 – basic rate of 26.50% and pre-tax income of \$1,314,514), resulting in a current income tax expense of \$465,742 (2024 – expense of \$354,002). Deferred income tax recovery was \$900 in the first half of 2025 (2024 – expense of \$11,000).

As a result of recognizing a current income tax expense of \$465,742 in the first half of 2025, remitting income tax of \$492,176 and recording a tax receivable of \$32,342 due to income tax withholdings made by one of the Company's foreign customers, at April 30, 2025, the Company had income taxes payable of \$44,529 (October 31, 2024 – \$103,305).

As a result of recognizing a deferred income tax recovery of \$900 in the first half of 2025, at April 30, 2025, the Company had deferred income tax assets totaling \$10,000 (October 31, 2024 – \$9,100). This asset primarily relates to deferred tax assets from deferral of capital cost allowance.

Share-based compensation

Share-based compensation for the six months ended April 30, 2025 of \$27,020 (2024 – \$64,162) 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 \$27,020 for the six months ended April 30, 2025 (2024 – \$64,162) was charged as follows: \$13,887 to cost of sales (2024 – \$32,975); \$4,768 to selling expenses (2024 – \$11,323); and \$8,365 to general and administration expenses (2024 – \$19,864).

Related Party Transactions

The following summarizes the Company's related party transactions:

- a) Included in general and administration expenses in the six months ended April 30, 2025, are rent and administration expenses of \$nil (2024 – \$22,800) for the (Head) office rental and corporate secretarial functions of the Company. These expenses, along with management fees of \$nil (2024 – \$80,000), were paid in lieu of salary to a company that was partially owned by the individual who was Chairman of the Company ("Chairman") until his retirement on October 31, 2024. In addition, selling expenses include consulting expenses for sales and marketing in the amount of \$22,500 incurred in the six months ended April 30, 2025 (2024 – \$22,500) from a company that is controlled by the Founder of the Company.
- b) Amounts due to related parties in trade and other payables at April 30, 2025, are amounts due to directors of \$109,210 (October 31, 2024 – \$193,844); and an amount due to a company that was partially owned by the individual who was Chairman until his retirement on October 31, 2024 of \$7,200 (October 31, 2024 – \$7,200). The related party amounts included in trade and other payables are unsecured, non-interest bearing and due on demand.

Comprehensive Income and Income Per Share

As a result of the factors discussed above, the comprehensive income after tax for the six months ended April 30, 2025 was \$1,259,346 as compared to a comprehensive income of \$949,512 in the six months ended April 30, 2024.

Six months ended April 30,

	2025	2024
	\$	\$
Comprehensive income	1,259,346	949,512
Income per share:		
Basic	0.05	0.03
Diluted	0.05	0.03

For the six months ended April 30, 2025, the weighted average number of shares outstanding used to calculate basic income per share was 26,863,732 (2024 – 27,130,908) and diluted income per share was 27,529,044 (2024 – 27,601,159).

Liquidity and Capital Resources

General

During the most recent five year period ended April 30, 2025, the Company funded all capital expenditures, operations and debt reduction from cash flow.

Cash Flow from Operations

The Company had working capital of \$10,090,732 at April 30, 2025, compared to working capital of \$8,491,315 at October 31, 2024. Excluded from the April 30, 2025, working capital calculations are: prepaid expenses of \$141,206 (October 31, 2024 – \$171,893); and deferred revenue of \$724,798 (October 31, 2024 – \$440,985).

For the six months ended April 30, 2025, the Company had positive cash flow from operations of \$1,223,129 as compared to positive cash flow from operations of \$1,431,244 in the six months ended April 30, 2024.

BALANCE SHEET

Short Term Investments

At April 30, 2025, the Company held a \$900,000 cashable guaranteed investment certificate which matures on October 29, 2025, and bears interest at a variable rate which was 2.70% per annum at origination, a \$4,300,000 cashable guaranteed investment certificate which matures on March 6, 2026, and bears interest at a variable rate which was 2.95% per annum at origination, a \$200,025 cashable guaranteed investment certificate which matures on March 25, 2026, and bears interest at a variable rate which was 2.50% per annum at origination, and a \$3,000,000 cashable guaranteed investment certificate which matures on April 30, 2026, and bears interest at a variable rate which was 2.95% per annum at origination.

Total interest earned for the six months ended April 30, 2025 in respect of short term investments amounted to \$115,058 (2024 – \$135,063).

Trade and Other Receivables

At April 30, 2025, the company had trade and other receivables of \$1,482,156 (October 31, 2024 – \$975,812). The amount of receivables over 90 days past due, at April 30, 2025, is \$112,029 (October 31, 2024 – \$16,861). Based on subsequent collections and a review of outstanding balances, the Company believes no provision for expected credit losses is required at this time.

Property and Equipment

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

Office equipment	20% declining balance
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Property and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recovered. An impairment loss is measured as the amount by which the carrying value of the long-lived asset exceeds its recoverable amount.

Deferred Income Tax Asset

In the six months ended April 30, 2025, the Company recognized a deferred income tax recovery of \$900 and, as a result, at April 30, 2025, the Company had deferred income tax assets totaling \$10,000 (October 31, 2024 – \$9,100). 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 April 30, 2025:

	Total	Less than 1 year	1 to 5 years
	\$	\$	\$
Trade and other payables	469,801	469,801	-
Income taxes payable	44,529	44,529	-
Premises lease	5,925	5,925	-
	520,255	520,255	-

Capital Expenditures

The Company's primary capital expenditure activities in the past involved the acquisition of deferred development of technology, property and equipment purchases, and capital investments into intellectual property. During the first half of 2025, capital expenditures were \$3,998 as compared to \$3,327 in the first half of 2024.

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 six months ended April 30, 2025, 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, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded.

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.

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments – Disclosures. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standards replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

Additional Information

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

Special Dividend

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

Outstanding Securities Data

On August 29, 2023, the Company announced that the TSX Venture Exchange (TSXV) had accepted its intention to make a normal course issuer bid (NCIB) to purchase up to 1,364,316 common shares representing 5% of the Company's then current issued and outstanding common shares through the facilities of the TSXV during the period commencing August 30, 2023 and ending on August 30, 2024. On March 26, 2025, the Company announced that the TSXV had accepted its intention to make a NCIB to purchase up to 1,343,186 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 March 27, 2025 and ending on March 26, 2026. 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 year ended October 31, 2024, the Company paid \$339,924 for the repurchase and cancellation of 355,600 common shares. No shares were repurchased during the six months ended April 30, 2025.

Summary of securities issued and outstanding as at April 30, 2025

<u>Class</u>	<u>Authorized</u>	<u>Issued and Outstanding</u>
Common	Unlimited	26,863,732

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

Options outstanding as of April 30, 2025, are as follows:

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

Options vested as of April 30, 2025, are as follows:

<u>Options</u>	<u>Exercise price</u>	<u>Expiry date</u>
807,500	\$0.53	December 15, 2027

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting for the issuer. They are assisted in this responsibility by the Management team. The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures and the design of internal controls at April 30, 2025, 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
June 26, 2025