

Management Discussion and Analysis

Alphinat Inc. (“Alphinat” or the “Company”) Tiohtiá:ke/Montreal, QC headquarters are situated on the traditional territory of the Kanien’kehà:ka, which has long served as a site of meeting and exchange amongst many First Nations including the Kanien’kehà:ka of the Haudenosaunee Confederacy, Huron/Wendat, Abenaki, and Anishinaabeg. We recognize and respect the Kanien’kehà:ka as the traditional custodians of the lands and waters on which we operate and are committed to promoting diversity and inclusion within our company and community. (TSX Ventures Exchange: NPA.H:NEX) has reported its results for the 3-month period ended November 30, 2023.

General

This MD&A has been prepared as of November 7th, 2024. This MD&A should be read in conjunction with our interim unaudited condensed financial statements for the three-month period ended November 30, 2023, prepared in accordance with IAS 34, Interim financial reporting.

These financial statements were prepared by management in accordance with IFRS.

All dollar amounts are expressed in Canadian dollars unless stated otherwise.

This MD&A was prepared based on information available as at November 7th, 2024.

Overview - SmartGuide® brings faster agile development with LIVEaiASSIST® to the Cloud, Web and mobile and now extends its offering with SmartProfile™ standalone secure Single Sign On (SSO) solution.

Alphinat sells SmartGuide® software and SmartGuide solutions which are used for development and delivery of advanced digital services and secure portal solutions for public sector and industry.

SmartGuide® is a drag-and-drop development platform complete with features that many other solutions require developers to code, making applications easier to build, test and maintain. SmartGuide® software also provides easy support for accessibility standards with translation capacity supporting multiple languages and can automatically generate customizable documentation of the application being built.

SmartGuide software solutions are used by finance industry, federal, state and over 25 municipal governments with our secure portal technology for enterprise digital service delivery. Designed to leverage existing technologies such as CRM, Document Management, Workflow and other back-office assets.

SmartGuide software is designed to be compatible and scalable with leading cloud providers, enabling clients to deploy multiple applications on the same instance to meet critical workload needs.

The Alphinat SmartGuide software platform is designed to allow for enterprise-level security and control over the applications it helps create, including leveraging features such as, artificial intelligence (AI), blockchain, unlimited encryption and two+ factor authentication that are specifically designed to thwart information, data and identity theft.

Deployable natively in J2EE or .NET environments, on premises or in the cloud, SmartGuide software solutions can help quickly build interactive web and mobile dialogs that guide people to the relevant response, help them diagnose problems or lead them through a series of defined steps that make it easy to interact and to complete complex or infrequently performed tasks. It is ideally suited for complex digital service offerings.

SmartGuide® is a drag-and-drop development platform complete with features that many other solutions require developers to code, making applications easier to build, test and maintain. SmartGuide® software also provides easy support for accessibility standards with translation capacity supporting multiple languages and can automatically generate customizable documentation of the application being built. As of Version 11 SmartGuide comes with optional Artificial Intelligence (AI) assisted development accelerator LIVEaiASSIST™ leveraging your choice of large language model subscriptions.

The public sectors, healthcare, banking, insurance, telecommunications, and others, can benefit from SmartGuide® technology to modernize, automate and make profitable a multitude of business processes by realizing substantial savings compared to solutions tailor-made and coded. For more information on Alphinat or its software suite, please visit www.alphinat.com/en.

Business operations

Alphinat has experienced government cutbacks in IT spending in the post Covid economy but has worked to mitigate the business impact as the public sector continues to need to digitize citizen and enterprise services. Alphinat has an active diversity policy with 42% of its workforce being 1st or 2nd generation immigrants or visible minorities, being a women lead firm and gender orientation indifferent, seeking only the best minds to join our team.

During the 3-month period ended November 30, 2023, Alphinat focused its efforts on improving its operating cash flow and increasing software sales, including its branded solutions and professional services.

We have also continued to work on expanding our distribution channels and on diversifying our offerings including security and automation features.

In order to accelerate future growth, Alphinat has considerably broadened its horizons by now counting five main areas of solution deliveries:

- 1) SmartGuide® Grants and Contributions solution (www.SmartGrants.ca) was developed in conjunction with a federal department of the Canadian Government. This platform offers unparalleled productivity for federal, state and municipal clients creating calls for grants including financial program creations for applications, adjudication and payments;
- 2) SmartGuide® Portal Edition for Dynamics 365¹ (www.smartD365.com) has optimize the way that clients can now create and deploy online services on top of Microsoft Dynamics 365 CRM solutions. This offering is available in SaaS mode as well as on-premises;
- 3) SmartGuide® Green House Gas Registry solutions (www.SmartGHGR.ca) is a green fintech solution allowing governments and industry to work together in reducing the harmful effects of greenhouse gas. Alphinat currently has three provincial clients for our SmartGHGR.ca solution;
- 4) SmartGuide® Claims solutions (www.SmartClaims.ca) was developed in conjunction with a major IT consulting partner, which aims at offering unparalleled productivity to federal, state and municipal clients for financial claims applications, adjudication and settlements for financial compensation and class action settlements;
- 5) SmartGuide® CIVIC Portal, CIVIC Portal for Permits & Licensing (www.PermitSmarter.ca) and SmartGuide® Municipal Cloud are Municipal Cloud and on-premises solutions front ending partner solutions and other digital services for improved user experience for both the cities and their citizens.
- 6) SmartProfile™ a secure Single Sign On solution is now a standalone solution, built on SmartGuide it provides industry leading flexible for full integration and end-user satisfaction.

¹ Dynamics 365 is a trademark of Microsoft Corporation

The company delivers solutions to various industry, federal, state / provincial agencies and municipalities across North America. In addition, the company continues to be involved in supporting its partners to ensure the delivery of solutions to government customers.

Alphinat is evolving its partnership strategy with consulting firms and systems integrators to promote and ensure resale and delivery of SmartGuide and SmartGuide solutions, as well as with independent software vendors for Original Equipment Manufacturer for portal (OEM) agreements and with other partners for SaaS services. Management believes that these agreements will help to reduce the sales cycle of the company's products while giving it additional exposure to new potential clients.

Selected quarterly financial data (unaudited)

Period	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
	30-11-2023	31-08-2023	31-05-2023	28-02-2023	30-11-2022	31-08-2022	31-05-2022
	\$	\$	\$	\$	\$	\$	\$
Revenue	224 738	351 968	393,621	368,684	365,954	388,329	548,750
Net earnings (Loss)	(10 856)	175 956	(5,848)	(19,430)	9,919	(121,736)	197,285
Basic and diluted EPS	(0.00017)	0.0027	(0.0001)	(0.0003)	0.0002	(0.002)	0.003

Revenue

For the 3-month period ended November 30, 2023, the Company recorded total revenues of \$224 738 compared to \$365 954 for the same period in 2022.

During the period under review, revenues from software licenses sales in the amount of \$63 167 increased from \$55 966 in the first quarter of 2022, principally due to increased recurring revenue. Support revenues in the amount of \$102 097 decreased from \$107 862 in the prior year's first quarter reflecting some license renewal loss on legacy projects and the company's move to rental or SaaS licenses that have no support revenues to replace the declines.

Professional services SmartGuide implementations was in the amount of \$59 474 as compared to \$202 126 in the prior year's 1st quarter because of completion of a significant provincial projects with no new replacement projects as governments cut software spend in their budgets.

Operating expenses

For the 3-month period ended November 30, 2023 operating expenses amounted to \$206 687 compared to \$303 100 in for the same period in 2022. The decrease is mostly attributed to lower total salaries and fringe benefits compensation of \$194 700 versus \$312 343 in 2022 and decrease in "Other administrative expenses" to \$1 788 in the quarter ended November 30, 2023, versus \$21 384 in the 3-month period ended November 30, 2022.

Stock option compensation was \$9,235 for the quarter ended November 30, 2023, compared to \$0 for the corresponding period in 2022.

Financing expenses

Financing expenses (revenues) amounted to \$10 487 for the quarter ended November 30, 2023 compared to \$34 076 for the quarter ended November 30, 2022. This decrease of the financial expenses is mainly due to a smaller Foreign exchange loss of \$2 688 in the current period versus a loss of \$26 929 for the 3 month period ended November 30, 2022 For more information on financing expenses, please refer to note 18 of the financial statements.

Earnings (loss) for the period

The (loss) for the period ended November 30, 2023 amounted to \$(10 856) or \$(0.00017) per outstanding common shares compared to a net income of \$9 919 or \$0.00016 per outstanding common shares for the 3-month period ended November 30, 2022.

Assets

Cash amounted to \$0 as at November 30, 2023 compared to \$67 919 as at August 31, 2023.

As at November 30, 2023 accounts receivable and other receivables amounted to \$517 061 compared to \$393 001 as at August 31, 2023. This increase is mainly due to an increase in trade receivables of \$224 052 and tax credits of \$170 714 as at November 30, 2023 versus \$133,500 and \$139 541 respectively as at August 31, 2023 as detailed in note 5 of the financial statements.

As at November 30, 2023, work in progress is \$0 compared to \$56,325 as at August 31, 2023 due to up to date invoicing of professional services contracts with non that overlap the quarter end of November 30, 2023.

As at November 30, 2023 prepaid expenses amounted to \$11 250 compared to \$31 554 as at August 31, 2023 reflecting lower prepaid insurance expenses.

As at November 30, 2023 to account for IFRS 16 a Right of Use asset for the companies head office lease in the amount of \$35 781 compared to \$53 419 as at August 31, 2023 as explained in note 8 under IFRS 16 in the interim condensed financial statements.

Liabilities

Bank overdraft amounted to \$20 434 as at November 30, 2023 compared to \$0 as at August 31, 2023.

Accounts payable and accrued charges amounted to \$832 009 as at November 30, 2023 compared to \$843 910 as at August 31, 2023. The decrease is due to lower Salaries, vacations, bonus and fringe benefits payable as at November 30, 2023.

Deferred revenue amounted to \$206 204 as at November 30, 2023 compared to \$228 144 as at August 31, 2023 as a result of reduction in prebilled support & maintenance on licenses as clients slowly shift to SaaS rental model licenses.

As at November 30, 2023 to account for IFRS 16 current lease for the company's head office lease of \$50 052, compared to \$70 462 as at August 31, 2023 as explained in note 8 under IFRS 16 in the interim condensed financial statements.

Shareholders' equity

As at November 30, 2023 the number of common shares outstanding of the Company was 63,148,956. As at the date of this report, the number of common shares outstanding of the Company was 63,148,956. For more information on the capital stock, please refer to note 11 of the financial statements.

Options and warrants

During the quarter ended November 30, 2023, 0 options had been issued and 600 000 have expired. As at November 30, 2023 there were 5,800,000 options outstanding with a weighted average exercise price of \$0.09 and a weighted remaining contractual life of 38 months. As of the date of this report, there were 5,650,000 options outstanding as explained in note 12 to the financial statements.

During the quarter ended November 30, 2023, no warrants were issued, had expired or were cancelled. As at November 30, 2023 there were 0 warrants outstanding. As of the date of this report, there were 0 warrants outstanding.

Liquidity and solvency

As at November 30, 2023 the Company had bank overdraft of \$20 434 compared to \$0 as at August 31, 2023.

As presented in note 1 of our financial statements "A going concern note" is a requirement of the CPA auditors to cover their potential risk for liabilities for professional disclosure" and highlight the financial risks that exit for the company. The company has the responsibility for preparing financial statements in accordance with IFRS and the obligation to present a note on "going concern" in certain situations comes from IFRS. We continue to operate efficiently and have focussed on activities with highest certitude of liquidity generation in order to be able to maintain viable operations.

To finance its operations, the Company relies on receipts from accounts receivable, loans from shareholders, directors and future contracts for major license sales and professional services related to these licenses and on-going projects. There is a risk that the company will not be able to obtain the funds necessary to meet its obligations.

The Company believes that with current funds available as well as funds it will obtain upon entering into contracts from initiatives under way will enable it to recruit the additional personnel required to ensure its growth, and financial obligations as they become due.

Related party transactions***Key management compensation***

Key management compensation, paid as salaries, for the three-month period ended November 30, 2023 was \$20 738 (\$67 308 for the three-month period ended November 30, 2022). The chief financial officer and a director compensation, paid as professional fees, for the three-month period ended November 30, 2023 was \$5 535 and was \$4 830 for the three-month period ended November 30, 2022.

Key management compensation, paid as stock options, for the three-month period ended November 30, 2023 was \$2 239 and was \$0 for the three-month period ended November 30, 2022.

These transactions were carried out in the normal course of business.

Financial instruments

Information on financial instruments is presented in note 13 to the financial statements.

Subsequent events

The company has repaid its full obligations under the Canadian governments CEBA loan to small & medium enterprises as at the end of December 2023 of \$40,000 CDN and will recognize a gain of \$20,000 for loan forgiveness in fiscal 2024.

On January 12, 2024, the company granted its employees 2,275,000 stock options allowing the purchase of 2,275,000 common shares at an exercise price of \$0.08, for a period of five years.

The corporation has as at October 3rd 2024, entered into a 5 year lease for its head office starting December 1st, 2024 and other than that there were no material events subsequent to the period ending February 29th, 2024

Risks and uncertainties

The main uncertainty relates to the length of the sales cycle in the market sectors where the Company has thus far concentrated the bulk of its efforts.

Several factors could impact actual results and cause them to be different from expected results. These factors include the Company's ability to develop new markets and partnerships and its dependence on a limited number of customers.

Alphinat has limited financial resources and could require additional cash resources that may not be available or be available under conditions deemed unacceptable to the Company.

The significant value of Alphinat's Internet tools and solutions could draw attention from players who are capable of deploying considerable means to develop competing products, which would affect Alphinat's business potential.

The Company uses and intends to continue to use various measures such as copyrights, trademarks, trade secrets legislation, confidentiality agreements and other contractual terms in order to establish, to maintain and to protect its intellectual property rights. Unauthorized parties could attempt to copy certain of the Company's products or portions of its products or to obtain what is considered as proprietary information. With increased competition, there is a greater risk that other companies will attempt to produce new substitute products or technologies.

Revenue recognition

Professional service revenues are recognized according to the percentage-of-completion method. Work in progress is established by taking into account services rendered that have not yet been invoiced. Any payment received before services are rendered is recorded as deferred revenue.

Fees from software products, after-sales technical support and other services are normally allocated among the various elements based on vendor-specific evidence of the fair value of each element and the Company recognizes the revenue for each element when revenue recognition criteria are met. To determine the fair value of each element, the Company uses the requested price for an element when it is sold separately and any other information considered to be relevant.

Revenues from software licenses are recognized when there is persuasive evidence of a valid arrangement, the software product has been delivered and accepted from the client and no significant obligations from the Company remain. The after-sales technical support is recognized on a straight-line basis over the contractual service period and revenues from other services are recognized as the services are rendered.

License rental revenues are recognized on an annual basis at the date the contract is signed. The Company recognized it as a rental licenses receivable in current assets in its balance sheet.

Stock option agreements

The Company provides stock option and stock-based compensation plan that is described in note 12 to the financial statements.

Continuous disclosure process and disclosure controls

The Company files its financial statements, management discussions and analyses, press releases and other required documents in the SEDAR database at www.sedar.com

The Company's shares are listed on the TSX Venture Exchange under stock symbol NPA.H:NEX.

The Company issued its code of ethics that was sent to all employees by the Chief Executive Officer. The company instructs all employees invited to contact the audit committee directly if they are aware of information that could potentially impact the Company's financial statements.

Given Alphinat's current size, it is difficult to ensure segregation of all management duties. However, the Chief Executive Officer's direct involvement in the business on a daily basis compensates for this weakness, as he is able to exercise more effective oversight than in a larger entity as well as by the having of a chief financial officer to oversee all financial reporting.

Outlook

Alphinat specializes in the development and marketing of secure digital solutions for governments and enterprises applications, sites and portals designed to meet specific user needs while ensuring reuse of computer resources and experience within an organization.

The Company's products respond to a real need in the market, which is definitely moving toward the deployment of reusable services and the use of organizations' internal expertise. Market expectations show that 80% of new applications developments will be done through the development of composite applications (i.e. assembly and reuse of existing functionalities) rather than traditional applications development.

The Company's SmartGuide® solutions suite is the result of years of experience with customers who also see the need to customize access to their data and processes based on users' needs and situation regardless of where the computer systems were located. This capability is crucial for making it easier for citizens and businesses to deal with the governments, and large institutions whose operations lead to many complex procedures. The Company is actively working to build on this added value and to establish an integrated support, training and service delivery plan for its software solution.

There is a strong potential for Alphinat's "turnkey" solution in the public and private sector markets. Indeed, in most large institutions with the number of retirements anticipated over the coming decade, the increasing number of procedures, their increasing complexity, and the reduction of operating budgets, require an improvement in the public and private sector's productivity while users press for a radical simplification of the administrative burden.

Forward-looking statements

This MD&A contains forward-looking statements regarding the Company. These forward-looking statements are inherently subject to certain risks and uncertainties that could cause actual results to be materially different from those suggested by these statements.



The Company believes that these forward-looking statements were based on premises that were reasonable at the time they were made. However, readers are warned that future assumptions, several of which are beyond management's control, could otherwise prove to be incorrect.

Readers are invited to refer to SEDAR (www.sedar.com) for additional information on the Company.