



## 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 **unaudited** results for the 12-month period ended August 31, 2023.

### General

This MD&A has been prepared as of November 4<sup>th</sup>, 2024. This MD&A should be read in conjunction with our annual financial statements for the years ended August 31, 2023 (unaudited) and August 31, 2022 available on our web site at [www.alphinat.com](http://www.alphinat.com) and which are available on SEDAR.

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 of November 4<sup>th</sup>, 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.

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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](http://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 1<sup>st</sup> or 2<sup>nd</sup> 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 12-month period ended August 31, 2023, Alphinat continues to focus its efforts on improving its operating cashflow and on increasing solution sales including its pipeline of professional services working on delivering a few showcase projects to reduce client purchase decision risk and to re-enforce the sales pipeline.

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 six main areas of solution deliveries:

- 1) SmartGuide® Grants and Contributions solution ([www.SmartGrants.ca](http://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 365<sup>1</sup> ([www.smartD365.com](http://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](http://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](http://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](http://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.

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<sup>1</sup> 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 annual data(unaudited)

The information contained in the table below represents selected financial information from operations and the financial evolution of Alphinat for the years ending August 31 as well as the financial position at these dates.

Fiscal year	2023	2022	2021
	31-08-2023	31-08-2022	31-08-2021
	\$ (unaudited)	\$	\$
Revenue	1,480,227	1,651,074	1,558,396
Net income	160,597	112,751	91,928
Basic and diluted EPS	0.0025	0.002	0.0015
Total Assets	606,490	631,080	658,140
Total liabilities (including current and non-current portion)	1,195,843	1,423,535	1,577,344

### Selected quarterly financial data (unaudited)

Period	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	31-08-2023	31-05-2023	28-02-2023	30-11-2022	31-08-2022	31-05-2022	28-02-2022	30-11-2021
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	351,968	393,621	368,684	365,954	388,829	548,750	310,521	402,974
Net earnings (Loss)	175,956	(5,848)	(19,430)	9,919	(121,735)	197,285	(85,157)	122,358
Basic and diluted EPS	0.0027	(0.0001)	(0.0003)	0.0002	(0.002)	0.003	(0.001)	0.002

**Revenue**

For the 12-month period ended August 31, 2023, the Company recorded total revenue of \$1,480,227 compared to \$1,651,074 for the same period in 2022 mostly due to reduced license sales and professional services as governments cut IT spending in post Covid budgets.

During the year ended August 31, 2023, license revenue of \$218,996 decreased compared to \$324,154 for the year ended August 31, 2022, mainly due to fewer new contracts and completion of some federal license contracts and license contracts with a consulting firm. Support revenues of \$433,261 for the year ended August 31, 2023, increased as compared to \$387,461 for the year ended August 31, 2022, reflecting the delivery of projects with recurring support contracts and partially offset by the transition of the company to rental or SaaS licenses that have no additional license support revenues.

Professional services revenue for SmartGuide implementations for the year ended August 31, 2023, decreased to \$828,000 as compared to \$939,459 for the prior year, following the completion and in early 2023 of the launch of three GHGR projects and few significant new projects kicking off. During the fiscal year ended August 31, 2023, the company leased SmartGuide licenses for federal and provincial mandates to Canadian governments in the normal course of business.

**Operating expenses**

For the 12-month period ended August 31, 2023 operating expenses amounted to \$1,187,777 compared to \$1,430,174 for the same period in 2022. The decrease of \$242,397 is mainly attributable to a write-off of debt of \$168,579 by an insider and reduced total salaries as the company restructured but was partially offset by an increase in non-monetary compensation expenses in the form of stock options.

The cost of services, administrative, selling and development expenses was \$1,313,851 for the 12-month period ended August 31, 2023 compared to \$1,416,176 for the 12-month period ended August 31, 2022.

During the year ended August 31, 2023, stock-based options compensation was valued at \$42,505 compared to \$13,998 for the year August 31, 2022.

**Financing expenses**

Financial expenses were \$57,025 for the year ended August 31, 2023, compared to \$32,942 for the year ended August 31, 2022. This increase in expenses is mainly attributable to a foreign exchange loss of \$48,686 and a recovery of some Interest and penalties paid to governments of \$6,656 versus a foreign exchange gain of \$39,221 of the year ended August 31, 2022, and interest and penalty charges of \$47,488 in that year. For more information on financial charges, please refer to note 18 of the financial statements.

**Earnings for the year**

Net income for the 12 month period ended August 31, 2023 amounted to \$160,597 or 0.0025\$ per outstanding common share compared to net income of \$112,751 or 0.002\$ per outstanding common share for the 12-month period ended August 31, 2022.

**Assets**

Cash equivalent amounted to \$67,919 August 31, 2023 compared to \$6,718 as at August 31, 2022.

As at August 31, 2023 accounts receivable and other receivables amounted to \$393,001 compared to \$459,772 as at August 31, 2022. This decrease is due to a decrease in new projects to invoice.

As of August 31, 2023, work in progress is \$56,325 compared to \$1,597 as of August 31, 2022.

As at August 31, 2023 prepaid expenses amounted to \$31,554 compared to \$31,674 as at August 31, 2022 due to an renewed prepaid insurance and service subscriptions.

As at August 31, 2023 a Right of Use asset for the company's head office lease was in the amount of \$53,419 compared to \$123,971 as at August 31, 2022 as explained in note 8 in the financial statements.

### **Liabilities**

Bank overdraft amounted to \$0 as at August 31, 2023 and \$0 as at August 31, 2022.

Accounts payable and accrued liabilities amounted to \$843,910 as at August 31, 2023 compared to \$951,501 as at August 31, 2023.

Deferred revenue amounted to \$228,144 as at August 31, 2023 compared to \$270,548 as at August 31, 2022 due to an decrease in sales of support contracts .

As at August 31, 2023 the loans from CEBA loan for Covid-19 relief for private companies amounted to \$53,327 and was \$47,533 as at August 31, 2022. See note 10 in financial statements.

As of August 31, 2023, lease liabilities "under IFRS 16" involved recognizing a liability presented as an amount of \$70,462 short-term and \$0 long-term. As of August 31, 2022, these 2 amounts are respectively \$84,375 and \$69,578 as explained in note 8 of the financial statements.

### **Shareholders' equity**

As at August 31, 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 notes 11 of the financial statements.

### **Options and Warrants**

During the 12-month period ended August 31, 2023, 4,475,000 options expired or were cancelled and 4,625,000 were granted. As at August 31, 2023 there were 6,400,00 options outstanding with a weighted average exercise price of \$0.09 and a weighted remaining contractual life of 7 months. As of the date of this report, there were 5,650,000 options outstanding.

During the year ended August 31, 2023, no warrants were issued, canceled or expired. As of August 31, 2023, there were 0 warrants outstanding. As of the date of this report there were 0 warrants outstanding.

### **Liquidity and solvency**

As at August 31, 2023 the Company had cash and bank balance of \$67,919 compared to a \$ 6,718 as at August 31, 2022

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Although the financial statements have been prepared on a going concern basis, certain facts and circumstances raise doubts as to this assumption such as past losses and negative working capital

To finance its operations, the Company relies on receipts from accounts receivable, support from suppliers and government authorities 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.

### **Related party transactions**

#### ▪ **Key management and director compensation**

Key management and director compensation, i.e., the president, paid as salaries, for the 12-month period ended August 31, 2023, was \$257,692 and \$250,099 for the 12-month period ended August 31, 2022. The chief financial officer and a director were paid professional fees, for the 12-month period ended August 31, 2023, totaling \$34,950 and \$22,923 for the 12-month period ended August 31, 2022.

The compensation of key management and directors in the form of stock options for the year ended August 31, 2022, was \$ 20,678 (\$ 7,244 for the year ended August 31, 2022).

#### ▪ **Related party transactions**

During the 12-month period ended August 31, 2023, the Company has incurred interest charges to:

- shareholders and a company owned by a controlling shareholder, totaling \$0 (\$158 for the 12-month period ended August 31, 2022) on a loan from directors and a company under common control.

As at August 31, 2023 accounts payable include an amount of \$0 (\$0 as at August 31, 2022) relating to these transactions.

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 3<sup>rd</sup> 2024, entered into a 5 year lease for its head office starting December 1<sup>st</sup>, 2024 and other than that 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 can deploy 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.

### **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](http://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 a chief financial officer to oversee all financial reporting.

### **Outlook**



Alphinat specializes in the development and marketing of a Cloud-related next generation rapid application development (RAD) platform and related solutions with a service-oriented architecture (SOA) approach that simplify and accelerate the implementation of 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 indicate that up to 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® 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](http://www.sedar.com)) for additional information on the Company.