**BOARDWALKTECH SOFTWARE CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AS AT AND FOR THE THREE MONTHS AND SIX MONTHS ENDED SEPTEMBER 30, 2024**

**DATED: NOVEMBER 26, 2024**

*This Management's Discussion and Analysis ("MD&A") for the three and six months ended September 30, 2024 provides detailed information on the operating activities, performance and financial position of Boardwalktech Software Corp. ("Boardwalk" or the "Company"). This discussion should be read in conjunction with the Company's September 30, 2024 unaudited condensed interim consolidated financial statements and March 31, 2024 audited annual consolidated financial statements and accompanying notes. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in U.S. dollars, unless otherwise stated. The information contained herein is current to November 26, 2024, unless otherwise stated.*

*The Company's fiscal year commences April 1st of each year and ends on March 31st of the following year. The Company's current fiscal year, which will end on March 31, 2025, is referred to as "current fiscal year", "Fiscal 2025" or similar words. The previous fiscal year, which ended on March 31, 2024, is referred to as "previous fiscal year", "Fiscal 2024" or similar words. The three-month quarter ended September 30, 2024 is referred to as "Q2 Fiscal 2025"and the previous three-month quarter ended June 30, 2024 is referred to as "Q1 Fiscal 2025" and the comparative three-month quarter ended September 30, 2023 is referred to as "Q2 Fiscal 2024".*

*In this document unless otherwise specified, "we", "us", "our", "Company" and "Boardwalk" all refer to Boardwalktech Software Corp. collectively with its subsidiaries. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.*

## CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain statements in this MD&A which are not historical facts constitute forward-looking statements or information within the meaning of applicable securities laws ("forward-looking statements"). Such statements include, but are not limited to, statements regarding Boardwalk's projected revenues, gross margins, earnings, growth rates, the impact of new product design wins, market penetration and product plans. The use of terms such as "may", "anticipated", "expected", "projected", "targeting", "estimate", "intend" and similar terms are intended to assist in identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause Boardwalk's actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Accordingly, there can be no assurance that forward-looking statements will prove to be accurate, and readers are therefore cautioned not to place undue reliance upon any such forward-looking statements.

Factors that could cause results or events to differ materially from current expectations expressed or implied by forward looking statements contained herein include, but are not limited to: our history of losses and the risks associated with not achieving or sustaining profitability; the Company's dependence on a limited number of customers for a substantial portion of revenues; fluctuating revenue and expense levels arising from changes in customer demand, sales cycles, product mix, average selling prices, manufacturing costs and timing of product introductions; risks associated with competing against larger and more established companies; competitive risks and pressures from further consolidation amongst competitors, customers, and suppliers; market share risks and timing of revenue recognition associated with product transitions; risks related to intellectual property, including third party licensing or patent infringement claims; the loss of any of the Company's key personnel could seriously harm its business; risks associated with adverse economic conditions; delays in the launch of customer products; price re-negotiations by existing customers; legal proceedings arising from the ordinary course of business; ability to raise needed capital; ongoing liquidity requirements; and other factors discussed in the "Risk Factors" section. All forward-looking statements are qualified in their entirety by this cautionary statement. Boardwalk is providing this information as of the current date and does not undertake any obligation to update any forward-looking statements contained herein as a result of new information, future events or otherwise except as may be required by applicable securities laws.

Risks relating to the Company include, but are not limited to, the following:

- the Company has a history of losses and may not achieve profitability in the future;
- the Company has historically received a substantial portion of its revenue from a limited number of customers;
- the Company expects its operating results to continue to fluctuate;
- the Company faces intense competition and expects continued market competition in the future;
- assertions by third parties of infringement by Boardwalk of, or of Boardwalk's failure to protect, their intellectual property rights could result in significant costs and cause Boardwalk's operating results to suffer;
- the Company may have difficulty accurately predicting revenue for the purpose of appropriately budgeting and adjusting its expenses;
- the loss of customers could affect the Company's financial returns and future plans;
- the Company's customers may cancel future subscriptions that can adversely impact future recurring revenue;
- the Company may be unable to generate funds required to meet its funding requirements and may need to raise additional funds;
- changes in industry standards or technology could impede the sale of Boardwalk's products;
- the loss of any of the Company's key personnel could seriously harm its business;
- the pattern of customer product ramps as they shift from legacy products to new products based on our more advanced designs could affect both the amount and timing of revenue recognized by the Company;
- the Company's failure to maintain compliance with applicable regulations in certain geographies or other jurisdictions may force it to cease distribution in those areas;
- the majority of the Company's operating expenses are denominated in U.S. dollars, therefore, the Company's earnings are impacted by fluctuations in exchange rates between the U.S. dollar and other currencies; and
- the Company may be involved in legal proceedings from time to time; arising in the ordinary course of its business and such proceedings may affect the Company's financial position, results of operations or cash flows.

## FINANCIAL HIGHLIGHTS

Revenue for Q2 Fiscal 2025 totaled $1.28 million, a 16% decrease over $1.53 million of revenue in Q2 Fiscal 2024 but a 2% increase over $1.25 million of revenue in Q1 Fiscal 2025. The portion of revenue from new and recurring SaaS licenses in Q2 Fiscal 2025 (86% of Q2 Fiscal 2025 total revenue) decreased 16% year-over-year and the portion from professional services revenue (14% of Q2 Fiscal 2025 total revenue) decreased 21% year-over-year.

The Company defines annual recurring revenue ("ARR") a non-IFRS metric, as the annual recurring revenue expected based on license subscriptions and recurring services revenue recognized in the recent quarter. ARR at September 30, 2024 was $4.6 million, down 2% from ARR of $4.7 million at June 30, 2024. The slight decline in ARR was due to both non-renewals and renegotiated renewals.

Gross margin for Q2 Fiscal 2025 was 88.6%, up slightly from Q1 Fiscal 2025's level of 87.9% due to lower costs, but down slightly from 90.1% in Q2 Fiscal 2024 due to lower revenue levels year-over-year. Gross margin continues to be in our targeted range.

The reported loss for Q2 Fiscal 2025 was $(0.7) million, or a loss of $(0.01) per basic and diluted share, a 1% improvement from $(0.7) million loss in Q2 Fiscal 2024, or $(0.02) per basic and diluted share, and a 10% improvement from $(0.8) million loss in Q1 Fiscal 2025, or $(0.01) per basic and diluted share. The year-over-year improvement was due primarily due to $0.2 million of lower costs that offset lower revenue levels. Total adjusted operating expenses (excluding share-based payments and depreciation) in Q2 Fiscal 2025 were $1.5 million, a decrease from $1.7 million in Q2 Fiscal 2024 and unchanged from $1.5 million in Q1 Fiscal 2025.

Adjusted EBITDA (as defined in the Adjusted EBITDA and Non-IFRS Financial Measures section) for Q2 Fiscal 2025 was a loss of $(0.37) million, a 2% decline versus the $(0.36) million loss in Q2 Fiscal 2024 and a 10% improvement over the $(0.41) million loss in Q1 Fiscal 2025. Cash flows from operating activities were a net inflow of $0.22 million in Q2 Fiscal 2025, a 24% improvement over a net inflow of $0.18 in Q2 Fiscal 2024.

Non-IFRS net loss for Q2 Fiscal 2025 totaled $(0.46) million, or a loss of $(0.01) per basic and diluted share, versus a $(0.38) million Non-IFRS loss in Q2 Fiscal 2024, or a loss of $(0.01) per basic and diluted share, and a $(0.51) million Non-IFRS loss in Q1 Fiscal 2025, or a loss of $(0.01) per basic and diluted share.

## OUTLOOK

**Update on Guidance for Fiscal Year 2025:**

The Company continues to lever its "land and expand" strategy, as recurring revenue from new SaaS licenses has grown at a compound annual growth rate ("CAGR") of 44% over the last three years, on a trailing twelve-month basis. Even factoring out the contributions from our Velocity customers, revenue from our core Digital Ledger customers has grown 8% since 2022 on a trailing twelve-month basis. While those growth achievements are good considering the Company's limited resources, the Company is targeting and expecting higher growth rates going forward, based on the size of its pipeline and later stage visibility on closure of several material license agreements. Despite slower than expected conversions from its sales pipeline during the first half of this fiscal year, the Company is much more optimistic on the second half of Fiscal 2025 and into Fiscal 2026, given a pick-up of license agreements in process of execution, with corresponding announcements expected as those license deals commence. The addition of new teaming partners announced over the past year, targeted at the financial services market for our Velocity software product offering, is a positive leading indicator towards growing revenue expectations. The Company is also experiencing promising early interest in its new Unity Central product offering, initially targeting solutions for the supply chain based on managing documents, signals and unstructured data. The Unity Central product will complement and expand our Digital Ledger solution which delivers solutions to better manage unstructured data with an initial focus on the enterprise supply chain market.

The decrease in license revenue is primarily due to expired licenses that were not renewed by two customers due to large scale reorganizations at each customer. This is consistent with the challenging market headwinds and internal customer issues described and discussed this past year, but recent engagements would indicate those headwinds have or are in the process of dissipating. We believe these factors and delays were not so much related to the sales cycle of customers choosing our product *per se*, but more customer-centric delays in this "year of efficiency" focus. While the lead times to close transactions with large, multinational organizations and financial institutions remain long, these have already been factored into our pipeline and projections.

Following an internal review to improve execution and reduce reliance on slower than expected sales pipeline conversions. the Company has already recognized over $0.6 million of savings in Fiscal 2025 from its sales and marketing realignment efforts implemented over the last few quarters. These steps to improve the Company's balance sheet, reduce expenses, and reallocate resources from completed development efforts towards sales and marketing efforts are projected to generate net realized savings in the $600,000 to $800,000 range over this next fiscal year, while the Company selectively hires more effective sales and marketing personnel over the next few quarters.

Concurrent with that realignment process, over the past two quarters the Company executed four new teaming or partnership agreements with leading IT consultancy and service firms. These firms have existing business relationships with targeted customers in the banking, financial services, Consumer Products group (CPG) and manufacturing markets who would benefit from Boardwalk's Digital Ledger, Unity Central and Velocity solutions. These partners have already or are currently identifying opportunities where they can leverage our offerings across their customer base, which should lead to new licenses for Boardwalk.

The Company continues to leverage more teaming/alliance arrangement with these partners who are doing the majority of the professional services work for implementing the Digital Ledger, Velocity and Unity Central products (thereby also alleviating the Company of operating expenses needed for growth). Thus, these agreements provide operating leverage as these partners provide customer access and scale that Boardwalktech could not if it relied on only its own direct sales efforts. The Company also has several other partnership agreements pending as of this filing.

Consequently, the Company expects to achieve cash breakeven (Adjusted EBITDA) based on modest revenue growth assumptions and less reliance on large pipeline conversions (than in previous projections), along with the cost savings measures announced in January 2024.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected financial information derived from the Company's unaudited condensed interim consolidated financial statements for the three and six months ended September 30, 2024 and September 30, 2023.

| *in thousands of U.S. dollars except per share amounts* | for Three-month period ended Sept 30, 2024 | June 30, 2024 | Sept 30, 2023 | for Six-month period ended Sept 30, 2024 | Sept 30, 2023 |
|---|---|---|---|---|---|
| Revenue | $1,278 | $1,249 | $1,527 | $2,527 | $3,080 |
| Cost of sales | 145 | 151 | 151 | 296 | 306 |
| Gross Profit | $1,132 | $1,099 | $1,376 | $2,231 | $2,773 |
| SG&A expenses * | $1,498 | $1,505 | $1,735 | $3,003 | $3,644 |
| Share-based payments | 172 | 201 | 272 | 373 | 604 |
| Depreciation | 78 | 78 | 80 | 155 | 162 |
| Operating Loss | (615) | (685) | (711) | (1,301) | (1,637) |
| Severance | - | - | $0 | $0 | $0 |
| Interest on credit facility | 69 | 78 | - | 147 | - |
| Imputed interest, lease | 21 | 23 | 18 | 44 | 23 |
| Financing costs & other expenses | 16 | 16 | - | 32 | - |
| Loss before taxes | (721) | (802) | ($730) | ($1,523) | ($1,660) |
| Taxes | - | - | - | - | - |
| **Loss for the period** | **($721)** | **($802)** | **($730)** | **($1,523)** | **($1,660)** |
| Loss per share, basic and diluted | ($0.01) | ($0.01) | ($0.02) | ($0.03) | ($0.03) |

* SG&A expenses: comprised of salaries, wages and benefits, professional fees, general and adminsitrative, deferred compensation, and consulting.

| *in thousands of U.S. dollars* | as at Sept 30, 2024 | as at March 31, 2024 |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 193 | $ 2,232 |
| Trade and other receivables | 596 | 445 |
| Prepaid expenses and deposits | 194 | 281 |
| **Total Current aAsets** | **$ 984** | **$ 2,958** |
| **Total non-current assets** | **652** | **807** |
| ` | **$ 1,635** | **$ 3,765** |
| **Current liabilities** | | |
| Account payables and accrued liabilities | $ 525 | $ 643 |
| Deferred revenue | 894 | 1,290 |
| Deferred compensation | 0 | 241 |
| Current portion of lease liability | 331 | 309 |
| **Total current liabilities** | **$ 1,750** | **$ 2,483** |
| Credit facility | 2,129 | 2,250 |
| Lease liabilities | 451 | 622 |
| **Total Liabilities** | **$ 4,330** | **$ 5,355** |
| **Shareholders' Equity** | **(2,694)** | **(1,590)** |
| **Total Liabilities and Shareholders' Equity** | **$ 1,635** | **$ 3,765** |

## ADJUSTED EBITDA AND NON-IFRS FINANCIAL MEASURES

In addition to disclosing results in accordance with IFRS as issued by the International Accounting Standards Board, the Company also provides Adjusted EBITDA and Non-IFRS financial measures disclosed as a supplement to financial results in order to provide a further understanding of Boardwalk's results of operational performance from management's perspective. In particular, Boardwalk uses Adjusted EBITDA and Non-IFRS financial measures to highlight trends in its core business that may not otherwise be readily apparent solely from IFRS measures. Boardwalk management uses Adjusted EBITDA and Non-IFRS financial measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to assess Boardwalk's ability to meet its future capital expenditures and working capital requirements. Boardwalk believes that securities analysts, investors and other interested parties frequently use Adjusted EBITDA and Non-IFRS financial measures in the evaluation of publicly-traded companies.

Non-IFRS net income (loss) is defined as net income (loss) before share-based payments, depreciation and non-recurring or one-time items which may arise from time-to-time. Non-IFRS net income (loss) does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Non-IFRS net income (loss) should not be considered in isolation or as a substitute for net income (loss) reported in accordance with IFRS.

Adjusted EBITDA is defined as operating income (loss) for the period (as reported in the consolidated statement of loss and comprehensive loss) less interest, taxes, depreciation, and share-based payments.

Boardwalk has provided a comparison of net income (loss) to Non-IFRS net income (loss) and Adjusted EBITDA measures in the following tables:

| ***Non-IFRS Net Income (Loss)*** | for Three-month period ended | | | for Six-month period ended | |
|---|---|---|---|---|---|
| *in thousands of U.S. dollars except per share amounts* | Sept. 30, **2024** | June 30, **2024** | Sept. 30, **2023** | Sept. 30, **2024** | Sept. 30, **2023** |
| **Net Loss for the period** | **($721)** | **($802)** | **($730)** | **($1,523)** | **($1,660)** |
| *Adjustments:* | | | | | |
| Share-Based Payments | 172 | 201 | 272 | 373 | 604 |
| Depreciation | 78 | 78 | 80 | 155 | 162 |
| Amortization of credit facility fees | 16 | 16 | 0 | 32 | 0 |
| Total Adjustments | 266 | 295 | 352 | 560 | 767 |
| **Non-IFRS Net Loss** | **($456)** | **($507)** | **($377)** | **($963)** | **($893)** |
| Non-IFRS amount per share, basic and diluted: | ($0.01) | ($0.01) | ($0.01) | ($0.02) | ($0.02) |

| ***Adjusted-EBITDA*** | for Three-month period ended | | | for Six-month period ended | |
|---|---|---|---|---|---|
| *figures in U.S. dollars, thousands* | Sept 30, **2024** | June 30, **2024** | Sept 30, **2023** | Sept. 30, **2024** | Sept. 30, **2023** |
| **Operating Loss for the Period** | **($615)** | **($685)** | **($711)** | **($1,301)** | **($1,637)** |
| *Add back (deduct)* | | | | | |
| Depreciation | 78 | 78 | 80 | 155 | 162 |
| Share-Based Payments | 172 | 201 | 272 | 373 | 604 |
| **Adjusted EBITDA** | **($366)** | **($407)** | **($359)** | **($772)** | **($870)** |

## OVERVIEW

### Our Company

Boardwalk was incorporated pursuant to the Business Corporations Act of British Columbia. The Company operates from locations in the United States and India and provides enterprise software-as-a-service (SaaS) to global customers.

Boardwalk designs and licenses industry-leading enterprise software solutions based upon its unique patented digital ledger technology. The Company has over 50 employees and full-time contractors at its Cupertino, California headquarters and its wholly owned subsidiary in Mumbai, India. Through its extensive data management/database technology expertise, Boardwalk was first to market in 2005 with a proprietary and patented positional, cell data management technology (aka "digital ledger') - what we call "transaction chaining"- which addresses the digital transformation issues companies face when working with multiple parties and exchanging information in real-time. The Company's solutions resolve two enterprise business problems – connecting multiple users in the enterprise value chain to improve planning and results and the alignment of data from various/multiple enterprise systems of record used in planning and information exchange processes. Boardwalk's unique technology allows multiple users to secure simultaneous access to the same data in a relational database environment which supports concurrent access to record objects while being edited. Another key enterprise problem that is solved with Boardwalk's technology is the chaining of transactions in a database to support provenance and immutable versioning and change management/change history. Concurrent with the Company's initial go-to-market activities, a patent was filed to protect the IP associated with versioned sharing, consolidating, and reporting enterprise information. Also, in 2014 the Company applied for a patent to protect the IP associated with cell-based data management, and this patent was issued in September 2018 which coincides with an existing patent issued July 2005 for managing time-based data at the cell or atomic unit level. Boardwalk's revenue comes primarily from new and recurring license subscription agreements, maintenance, and service contracts. Boardwalk's customers include over 20 companies in the Global 1000 / Fortune 500.

On June 11, 2018, Boardwalk began trading on the TSX Venture Exchange under the symbol 'BWLK'; and on November 13, 2019, Boardwalk began trading on the OTC Markets Group/OTCQB under the symbol "BWLKF".

### Products and Solutions

The Boardwalk Digital Ledger enterprise platform is a complete enterprise platform that resolves trust and collaboration issues companies face when working with multiple parties, which enables customers to automate manual business processes and turn them into enterprise "digital" applications using our patented digital ledger data management technology. The Boardwalk Digital Ledger platform can be used to build and maintain applications with multiple internal or external users working in Excel, a web form, or mobile environment as the user interface. The Company's software supports a dynamic, cell-based/atomic unit smart contract and machine learning-enabled information exchange that combines Boardwalk's temporal data management and enterprise integration environment with digital ledger-based trust and validation capabilities. The result is a private permissioned enterprise data management environment that supports time-based multi-party workflow transactions and consensus models for automating previously established manual-based processes and turning them into connected digital applications. The Company has developed two solutions that run on the core Boardwalk Digital Ledger technology including Boardwalk Velocity which is focused on risk management and compliance within the financial services sector and Unity Central which is targeted at improving enterprise supply chain visibility and order execution fulfillment metrics.

### Growth Strategy

Boardwalk's objective is to be the leading provider of private, permissioned digital ledger solutions for global enterprise customers of any size. Elements key to this strategy include:

- expand our network of direct sales people;
- expand our network of teaming partners and reseller sales channels;
- broader adoption of Boardwalk's solutions by new markets and new customers;
- greater penetration of our existing customer base;
- introduction of new features and capabilities including digital predictive analytics;
- extending our digital ledger technology into an end-to-end operating system solution; and,
- delivering high ROI industry solutions like Velocity and Unity Central.

**Sales and Distribution**

Boardwalk primarily uses a direct sales model where the Boardwalk Digital Ledger enterprise platform creates a unique go-to-market opportunity for the Boardwalk solution. For direct sales, the Company uses regional sales representatives paired with a Sales Development Representative ("SDR") who will guide lead development, with sales representatives on a standard back-end weighted commission plan while the SDR will have a base salary plus variable compensation. Boardwalk is also starting to grow its partner sales ecosystem by recruiting new teaming partners that can build and manage solutions for their clients with a focus in the financial services area leveraging the Boardwalk Velocity for financial services customers running on the Boardwalk Digital Ledger platform. Deployment and professional services for direct sales Boardwalk customers are handled by Boardwalk professional services group while deployment and professional services for teaming partner sales are mainly handled by the partner.

Boardwalk offers the Boardwalk Digital Ledger enterprise platform on an annual subscription basis, with pricing built around multiple digital applications and scale/size of data. Boardwalk engages enterprise clients with an annual subscription for the platform and associated applications and all platform capabilities are included such as:

- Boardwalk Digital Ledger Server;
- Boardwalk Application Design Studio;
- Boardwalk Integration Framework;
- Boardwalk Smart Contract engine;
- Boardwalk APIs;
- Boardwalk Virtual Machines (Nodes);
- Boardwalk Velocity product; and
- Boardwalk Unity Central product.

## CURRENT PERIOD OPERATING RESULTS

**Revenue**

| | for Three-month period ended | | | for Six-month period ended | |
|---|---|---|---|---|---|
| *in thousands of U.S. dollars* | Sept. 30, **2024** | June 30, **2024** | Sept. 30, **2023** | Sept. 30, **2024** | Sept. 30, **2023** |
| SaaS License (New and Renewals) | $1,032 | $1,060 | $1,210 | $2,092 | $2,435 |
| Legacy (Hosting and Maintenance) | 71 | 72 | 96 | 143 | 198 |
| Software Subscriptions and Service | $1,103 | $1,131 | $1,306 | $2,235 | $2,634 |
| Professional Services | 174 | 118 | 220 | 292 | 446 |
| **Total Revenue** | **$1,278** | **$1,249** | **$1,527** | **$2,527** | **$3,080** |

Boardwalk derives its revenues from two sources: (1) recurring software subscription revenues ("SaaS"), which are derived from customer licenses for a right to access the Company's cloud services, certain hosting services for dedicated servers, and from customers paying for additional services beyond the standard support that is included in the basic subscription fees; and (2) related professional services such as consulting, application development, quality assurance ("QA"), application delivery, and training. New revenue is defined as newly signed contracts during the reporting period for license subscriptions, while recurring or renewal revenue are revenue streams that have been extended from previous periods.

*Q2 Fiscal 2025 compared to Q2 Fiscal 2024*

Revenue for Q2 Fiscal 2025 totaled $1.28 million, a 16% decrease over $1.53 million of revenue in Q2 Fiscal 2024. This decline in revenue came from a 16% decrease in software and subscription services (86% of Q2 Fiscal 2025 total revenue) plus a 21% decrease in professional services revenue (14% of Q2 Fiscal 2025 total revenue), as two customers declined to renew licenses due to large scale reorganizations at each customer.

*Q2 Fiscal 2025 compared to Q1 Fiscal 2025*

Revenue for Q2 Fiscal 2025 totaled $1.28 million, a 2% increase over $1.25 million of revenue in Q1 Fiscal 2025, primarily due to a small rebound in professional services revenue.

*Fiscal 2025 YTD compared to Fiscal 2024 YTD*

Revenue for the six-month period ending September 30, 2024 was $2.5 million, an 18% decrease over $3.0 million for the six-month period ending September 30, 2023, due to a 16% decrease in recurring revenue from software subscriptions and services (88% of Fiscal 2025 YTD total revenue), and a 34% decrease in professional services revenue (12% of Fiscal 2025 YTD total revenue).

While the Company does expect a continued revenue contribution from professional services, it is expected that the while contribution from professional service should grow in absolute dollars over time, these levels decrease as a percentage of total revenue and fluctuate on a quarter-by-quarter basis - as evidenced by recently reported quarters.

***Revenue Derived from Major Customers***

Based on information from our direct and reseller sales, our customers representing greater than 10% of our revenue for the periods are:

| | for Three-month period ended | | | for Six-month period ended | |
|---|---|---|---|---|---|
| | Sept 30, **2024** | June 30, **2024** | Sept 30, **2023** | Sept 30, **2024** | Sept 30, **2023** |
| Customer A | 19.6% | 28.0% | 31.3% | 23.8% | 31.8% |
| Customer B | 34.2% | 31.2% | 36.8% | 32.7% | 36.5% |
| Customer C | 7.7% | 10.2% | 5.3% | 9.0% | 6.8% |
| Top 5 | 74.5% | 77.8% | 81.1% | 76.1% | 82.3% |
| Top 10 | 86.7% | 87.8% | 91.3% | 87.3% | 91.2% |

The Company's quarterly revenues can be impacted by and fluctuate due to the timing and frequency of new and existing customers. While we currently receive a substantial portion of our revenue from a limited number of customers, we expect our customer concentration to continue to decline in the future.

**Gross Margin**

Our revenue, cost of sales, and gross margin for the fiscal periods indicated are as follows:

| | for Three-month period ended | | | for Six-month period ended | |
|---|---|---|---|---|---|
| *thousands of U.S. dollars* | Sept 30, **2024** | June 30, **2024** | Sept 30, **2023** | Sept 30, **2024** | Sept 30, **2023** |
| Revenue | $1,278 | $1,249 | $1,527 | $2,527 | $3,080 |
| *Cost of Sales* | 145 | 151 | 151 | 296 | 306 |
| Gross Margin $ | $1,132 | $1,099 | $1,376 | $2,231 | $2,773 |
| *Gross Margin %* | *88.6%* | *87.9%* | *90.1%* | *88.3%* | *90.1%* |

*Q2 Fiscal 2025 compared to Q2 Fiscal 2024*

Gross margin for Q2 Fiscal 2025 was 88.6%, a 1.5% point decrease from Fiscal Q2 2024 gross margin of 90.1%, due to lower revenue levels.

*Q2 Fiscal 2025 compared to Q1 Fiscal 2025*

Gross margin for Q2 Fiscal 2025 of 88.6%, a 0.7% point increase from the 87.9% in Q1 Fiscal 2025 due to slightly lower costs in the quarter.

*Fiscal 2025 YTD compared to Fiscal 2024 YTD*

Gross margin for the six-month period ending September 30, 2024 was 88.3% compared to 90.1% for the six-month period ending September 30, 2023, primarily due to lower revenue levels offset by a slight decrease in costs.

The Company intends to make higher investments with its hosting sub-processor to support further growth, especially with deployment of Unity Central. That said, the Company expects gross margins in future quarters to increase as revenue grows, but the impact is likely to fluctuate period-to-period due to a variety of factors, including product mix.

**Operating Expenses**

The following table provides an analysis of the Company's total operating expenses and adjusted operating expenses which excludes non-cash share-based payments expense and depreciation. The analysis following the table below will primarily focus on the adjusted operating expenses for the respective periods.

| | for Three-month period ended | | | for Six-month period ended | |
|---|---|---|---|---|---|
| *figures in U.S. dollars, thousands* | Sept 30, **2024** | June 30, **2024** | Sept 30, **2023** | Sept 30, **2024** | Sept 30, **2023** |
| Total Operating Expenses* | $1,748 | $1,784 | $2,087 | $3,532 | $4,411 |
| Total Adjusted Operating Expenses** | $1,498 | $1,505 | $1,735 | $3,003 | $3,644 |

* *Total Operating Expenses include the amortization of revenue contract costs.*

** *Total Adjusted Operating Expenses exclude non-cash share-based payment expenses and depreciation.*

*Q2 Fiscal 2025 compared to Q2 Fiscal 2024*

Total adjusted operating expenses in Q2 Fiscal 2025 of $1.5 million were $0.2 million lower than adjusted operating expenses of $1.7 million for Q2 Fiscal 2024, due mainly to the Company's realignment efforts which have reduced salaries and benefits expenses. The use of teaming and alliance partners is also expected to defray expenses as those entities mainly use their workers for joint efforts.

*Q2 Fiscal 2025 compared to Q1 Fiscal 2025*

Total adjusted operating expenses in Q2 Fiscal 2025 of $1.5 million were unchanged from Q1 Fiscal 2025.

*Fiscal 2025 YTD compared to Fiscal 2024 YTD*

Total adjusted operating expenses for the six-month period ending September 30, 2024 of $3.0 million were $0.6 million lower than adjusted operating expenses of $3.6 million from the six-month period ending September 30, 2023, due to a $0.6 million decrease in salaries and benefits, plus over $0.1 million of combined lower general & administration and professional fees, offset slightly by $0.1 million of higher consultant fees versus the equivalent period in Fiscal 2024. This is in line with prior projections on expected cost savings from that realignment efforts.

The Company plans to reallocate resources and upgrade our sales and marketing organizations through selective expenditures and hiring to support additional customers and to close opportunities in our sales pipeline, as we continue to expand into existing and new markets. Currently, the Company believes it has more opportunities than resources to address all potential growth prospects. During the next year, we expect our SG&A expenses to decrease in absolute dollars as a result of cost cutting and resource reallocation actions, and generally decrease as a percentage of revenue, as our investments in SG&A translate into higher sales. We note that there is a lag between the investment in new SG&A costs (such as the hiring of new sales personnel) and the revenue generated from those expenses, though the timing of that lag may vary by market.

As a percentage of revenue, research and development costs are expected to fluctuate from one quarter or period to another. We do not expect any significant changes in R&D spending, even as we continue enhancements and the creation of new products, and there is no requirement to do so in order to meet our revenue and strategic plans in the next 12 months. The Company continues to invest in and develop both new upgrades to our platform and new updates, and thus expects overall R&D spending to increase in absolute dollars but decrease as a percentage of total revenue.

***Other Expenses***

Other expenses primarily consist of imputed interest related to office lease liabilities, which will fluctuate as leases expire or are extended and due to the passage of time plus credit facility interest and accretion. The Company obtained a credit facility executed on March 28, 2024, with Q1 Fiscal 2025 being the first full quarter of incurred interest and accretion of financing expenses on that credit facility.

| *figures in U.S. dollars, thousands* | for Three-month period ended | | | for Six-month period ended | |
|---|---|---|---|---|---|
| | Sept 30, **2024** | June 30, **2024** | Sept 30, **2023** | Sept 30, **2024** | Sept 30, **2023** |
| Imputed interest | 21 | 23 | 18 | 44 | 23 |
| Interest on credit facility | 69 | 78 | - | 147 | - |
| Other Expenses, net | 106 | 117 | 18 | 223 | 23 |

## LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed its operations primarily through the sale of equity securities, debt, and cash from operating activities.

### Working capital

Working capital represents the Company's current assets less its current liabilities. The Company reported a working capital deficit of $(0.8) million at September 30, 2024 (including $0.2 million of cash and $0.6 million of trade receivables which have since been collected) compared to $0.5 million working capital surplus reported at March 31, 2024 (including $2.2 million of cash and $0.4 million of trade receivables). The six-month period change is primarily from a $1.9 million decrease in cash, a $0.1 million decrease in accounts payable and accrued liabilities, payment of $0.2 million of deferred compensation (deferred until after financings were completed in late Fiscal 2024) and a $0.2 million increase in trade and other receivables from the invoicing of license renewals; which in turn also contributed to a $0.3 million increase in the current liability for deferred revenue. It should be noted that deferred revenue of $0.9 million reflects new and recurring licenses that are contractually non-refundable at the beginning of each annual license term, then recognized over the license term (amortizing the deferred revenue down), versus a liability expected to be paid in cash. It should be noted that a few large customers have negotiated the payment of their binding annual licenses on a quarterly basis which lowers absolute deferred revenue levels compared to historical levels of previous quarter.

| *in thousands of U.S. dollars* | as at Sept 30, **2024** | | as at March 31, **2024** | |
|---|---|---|---|---|
| Current Assets | $ | 984 | $ | 2,958 |
| Current Liabilities | | 1,750 | | 2,483 |
| Working Capital | $ | (766) | $ | 475 |
| Deferred Revenue | | 894 | | 1,290 |
| Working Capital (pro forma) | $ | 128 | $ | 1,765 |

The Company expects working capital to improve as revenue growth occurs. While the Company plans to keep its targeted collection days in-line with its payment terms, aggregate trade receivables level should increase in absolute dollars as revenue levels grow.

The following table shows our cash flows from operating activities, investing activities and financing activities for the periods indicated.

| **Cash inflows (outflows) by activity:** | for Three-month period ended | | | for Six-month period ended | |
|---|---|---|---|---|---|
| *in thousands of U.S. dollars* | Sept 30, **2024** | June 30, **2024** | Sept 30, **2023** | Sept 30, **2024** | Sept 30, **2023** |
| Operating Activities | $219 | ($1,788) | $176 | ($1,570) | ($1,379) |
| Investing Activities | 0 | 0 | 0 | 0 | (5) |
| Financing Activities | (295) | (173) | (39) | (468) | (144) |
| **Net Inflows (outflows)** | **($76)** | **($1,962)** | **$137** | **($2,038)** | **($1,528)** |

### *Cash Flows Used in Operating Activities*

Cash flows used in operating activities primarily consist of our net loss adjusted for non-cash expenses and for changes in non-cash working capital items. Non-cash adjustments to operating activities generally include depreciation, share-based payments and imputed interest. Changes in non-cash working capital items include changes in accounts receivable, which will increase as revenue increases, deferred revenue, and changes to accounts payable as we purchase more goods and services from suppliers to support such growth.

*Q2 Fiscal 2025 compared to Q2 Fiscal 2024*

During Q2 Fiscal 2025, cash flow from operating activities was a $0.2 million net inflow, a slight improvement versus a net cash inflow of $0.2 million during Q2 Fiscal 2024. A 2% improvement in Q2 2025 Adjusted EBITDA accounted for the cash flow improvement. A $0.2 million decrease in trade and other receivables was offset by a $0.2 million decrease in accounts payable and accrued liabilities between the two periods.

*Q2 Fiscal 2025 compared to Q1 Fiscal 2025*

During Q2 Fiscal 2025, cash flow from operating activities was a $0.2 million net inflow, versus $(1.8) million of cash used by operating activities in Q1 Fiscal 2025. Much of this difference in sequential operating cash flows came from a $0.9 million decrease in trade receivables during Q1 Fiscal 2025 (from a few large customers shifting to quarterly payments on annual licenses, and two non-renewals); plus $0.2 million of deferred compensation paid last quarter.

*Fiscal 2025 YTD compared to Fiscal 2024 YTD*

For the six-month period ending September 30, 2024, the Company reported $(1.6) million of cash used by operating activities versus $(1.4) million of cash used by operating activities for the comparable six-month period last year ended September 30, 2023. Despite a $0.1 million improvement in Adjusted EBITDA over those comparable periods, the six-month period of Fiscal 2025 saw $0.6 million of less cash inflows from trade receivables (due to timing of license collections), $0.2 million of paid deferred compensation, and $0.4 million from higher accounts payables outflows last year.

### *Cash Flows from Investing Activities*

Cash flows used in investing activities relate to purchases of computer equipment. Such purchases are generally small but necessary as the Company continues to replace old laptops, buy new computers for new hires, and upgrade its development services to support new customer projects.

The Company expects a minor increase in equipment purchases (under $0.2 million) during the upcoming year to replace old laptops and upgrade its development servers, to support new customer projects.

### *Cash Flows from Financing Activities*

*Q2 Fiscal 2025 compared to Q2 Fiscal 2024*

During Q2 Fiscal 2025, the net cash used in financing activities was $(0.3) million, related to a $0.15 million credit facility repayment, $0.05 million of interest on the new credit facility and $0.1 million of office lease payments, while the $0.04 million net cash outflow from financing activities during Q2 Fiscal 2024 came solely from office lease payments. There were no financings nor proceeds from exercised stock options or warrants in either quarter.

*Q2 Fiscal 2025 compared to Q1 Fiscal 2025*

During Q2 Fiscal 2025, the net cash used in financing activities was $(0.3) million compared to $(0.2) million in Q1 Fiscal 2025. Net cash financing cash flows in Q1 2025 were comprised of $0.08 million of interest on the new credit facility and $0.1 million of office lease payments.

*Fiscal 2025 YTD compared to Fiscal 2024 YTD*

For the six-month period ending September 30, 2024, the net cash outflow from financing activity of $(0.5) million was due to $0.15 million repayment of debt, $0.12 million of interest on the new credit facility and $0.2 million of office lease payments, while for the six-month period ending September 30, 2023, the net cash outflow from financing activity of $(0.1) million was due solely to office lease payments.

**Share Capital**

| | Common shares | Common share warrants | Stock options | Restricted share units |
|---|---|---|---|---|
| Balance, March 31, 2024 | 55,622,576 | 7,919,343 | 395,000 | 5,687,575 |
| Issued/granted | - | - | - | 2,671,300 |
| Forfeited | - | - | (10,000) | - |
| Expired | - | - | - | - |
| Balance, September 30, 2024 | 55,622,576 | 7,919,343 | 385,000 | 8,358,875 |
| Granted | - | - | 500,000 | - |
| Date of this MD&A | 55,622,576 | 7,919,343 | 885,000 | 8,358,875 |

**Subsequent Events**

On October 9, 2024, the Company entered into an investor relations agreement for an initial term of 12 months for a monthly fee of CAD 8,000 and 500,000 stock options. The stock options are exercisable at CAD 0.14 per share, vest 25% every three months following the grant date and expire on October 9, 2029.

Subject to TSX Venture Exchange approval, the Company will issue 810,810 warrants to a financial advisor who has elected to receive its $15,000 financing success fee (included in credit facility fees, Note 6) in the form of warrants in lieu of cash. The warrants will be exercisable at CAD 0.20 per share for a period of five years from the issue date.

**Off-Balance Sheet Arrangements**

During the periods presented, the Company did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. The Company is exposed to credit risk and liquidity risk because of holding certain financial instruments. The Company is exposed to market risks related to financial instruments denominated in foreign currencies. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management, with oversight governance by the Board of Directors.

***Fair value***

Boardwalk's financial instruments consist of cash, trade and other receivables, accounts payables and accrued liabilities and lease liabilities. The carrying amounts of the current financial instrument items approximate their fair value due to their short period to maturity. As at September 30, 2024, the Company measured all of its financial instruments at amortized cost.

***Credit risk***

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and to a lesser degree from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

*Trade accounts receivable*

Customer credit risk is managed through the Company's established policy, procedures and control relating to customer credit risk management. In order to further reduce charges for doubtful accounts, the Company has recently adopted new policies to ensure customer acceptance is explicitly confirmed in writing before an invoice is generated against recognized or deferred revenue.

*Financial instruments and cash deposits*

Credit risk from balances on deposit with banks and financial institutions is managed in accordance with the Company's policies. Investments of surplus funds are made only with approved counterparties and within credit limits approved for each of those counterparties. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

***Liquidity risk***

The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents, managing cash from operations, and if required through financing activities.

As at September 30, 2024, the contractual maturities of the Company's financial liabilities are as follows:

| | Carrying | | From balance sheet date | | |
|---|---|---|---|---|---|
| | amount | Contractual | 1 year | 2 years | 3+ years |
| Accounts payable and accrued liabilities | 525,424 | 525,424 | 525,424 | - | - |
| Credit Facility | 2,128,666 | 2,284,239 | - | - | 2,284,239 |
| Lease liability | 781,713 | 874,587 | 195,798 | 400,324 | 278,465 |
| | 3,435,803 | 3,684,250 | 721,222 | 400,324 | 2,562,704 |

***Foreign currency risk and interest rate risk***

The Company was not exposed to any significant foreign currency risk or interest rate risk as at or during the three months ended September 30, 2024.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred in the three months ended September 30, 2024 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS Accounting Standards requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and actual results, our future results of operations will be affected. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected. The Company's significant judgments and estimates are disclosed in Note 4 of the audited March 31, 2024 consolidated financial statements.