

BOARDWALKTECH SOFTWARE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE MONTHS AND NINE MONTHS ENDED DECEMBER 31, 2024

DATED: FEBRUARY 25, 2025

This Management's Discussion and Analysis ("MD&A") for the three and nine months ended December 31, 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 December 31, 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 February 25, 2025, 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 December 31, 2024 is referred to as "Q3 Fiscal 2025" and the previous three-month quarter ended September 30, 2024 is referred to as "Q2 Fiscal 2025" and the comparative three-month quarter ended December 31, 2023 is referred to as "Q3 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 Q3 Fiscal 2025 totaled \$1.29 million, a 1% increase from \$1.28 million of revenue in Q2 Fiscal 2025, and 12% decrease from \$1.47 million of revenue in Q3 Fiscal 2024. Professional services revenue increased 61% sequentially, now 22% of total revenue, as the Company opted to recognize a six-month recurring development and maintenance contract, paid in arrear at the end of Q3 Fiscal 2025 and subsequently renewed for another year, as professional services than a recurring license. SaaS license revenue decreased both sequentially and year-over-year, as the Company saw two customers decline to renew due to mandated reorganization actions.

The Company defines annual recurring revenue ("ARR") as the recurring revenue expected based on annual license subscriptions and recurring services recognized in the quarter. ARR is a non-IFRS measure, which the Company calculates based on a trailing three-month basis. ARR at December 31, 2024 was \$4.2 million.

Gross margin for Q3 Fiscal 2025 was 88.4%, down slightly from Q2 Fiscal 2025's level of 88.6%, and down from 89.1% in Q3 Fiscal 2024 due to lower revenue levels, plus slightly higher hosting expenses sequentially.

The reported loss for Q3 Fiscal 2025 was \$(0.59) million (\$(0.01) per basic and diluted share), versus a \$(0.72) million loss (\$(0.01) per basic and diluted share) in Q2 Fiscal 2025, and versus a \$(0.78) million loss (\$(0.02) per basic and diluted share) in Q3 Fiscal 2024. The year-over-year and sequential improvements were primarily driven by lower operating expenses from previously announced cost saving and realignment actions. Total adjusted operating expenses (excluding share-based payments and depreciation) in Q3 Fiscal 2025 were \$1.43 million, down from \$1.50 million in Q2 Fiscal 2025 and a \$0.4 million reduction from the \$1.70 million in Q3 Fiscal 2024.

Adjusted EBITDA for Q3 Fiscal 2025 was a loss of \$(0.29) million, a 21% improvement from the \$(0.37) million loss in Q2 Fiscal 2025 and a 26% improvement \$(0.39) million loss in Q3 Fiscal 2024.

Non-IFRS net loss (as defined in Non-IFRS Financial Measures section) for Q3 Fiscal 2025 totaled \$(0.4) million (\$(0.01) per basic and diluted share), versus a \$(0.5) million non-IFRS loss (\$(0.01) per basic and diluted share) in Q2 Fiscal 2025 and versus the \$(0.4) million non-IFRS loss (\$(0.01) per basic and diluted share) in Q3 Fiscal 2024.

OUTLOOK

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 39% over the last three years, on a trailing twelve-month basis. While those growth achievements are strong, 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 exiting 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 revenue contribution. The addition of new teaming partners and business development resources announced over the past year, targeted at the financial services market for our Velocity software product offering, is a positive leading indicator towards revenue growth 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 our reported 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. Recent engagements would indicate those headwinds have or are in the process of dissipating, leading to a higher degree of confidence for revenue growth in the next 12 months. We believe these factors and delays were not so much related to the sales cycle of customers choosing our products *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 \$0.9 million of savings year-to-date in Fiscal 2025 (versus comparable period in Fiscal 2025) from its sales and marketing realignment efforts implemented over the past year, as the Company reallocated resources to more targeted, effective sales and marketing channels. This is at the higher end of the \$600,000-\$800,000 range the Company mentioned in prior disclosures. As evidence of that realignment process, over the past three 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 Boardwalk 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 still expects to achieve cash breakeven (Adjusted EBITDA) based on modest revenue growth assumptions and less reliance on large pipeline conversions (than in previous projections), concurrent 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-month and nine-month periods ended December 31, 2024.

<i>in thousands of U.S. dollars</i> <i>except per share amounts</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, 2024	Sept 30, 2024	Dec 31, 2023	Dec 31, 2024	Dec 31, 2023
Revenue	1,292	\$1,278	\$1,469	3,819	\$4,549
Cost of sales	150	145	160	446	467
Gross Profit	\$1,142	\$1,132	\$1,309	\$3,373	\$4,082
SG&A expenses *	\$1,430	\$1,498	\$1,695	\$4,433	\$5,339
Share-based payments	117	172	292	490	896
Depreciation	77	78	79	233	242
Operating Loss	(482)	(615)	(757)	(1,782)	(2,395)
Severance	-	-	\$0	\$0	\$0
Interest on credit facility	74	69	-	221	-
Imputed interest, lease	19	21	26	62	48
Financing costs & other expenses	16	16	-	48	-
Loss before taxes	(590)	(721)	(\$783)	(\$2,114)	(\$2,443)
Taxes	-	-	-	-	-
Loss for the period	(\$590)	(\$721)	(\$783)	(\$2,114)	(\$2,443)
Loss per share, basic and diluted	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.04)	(\$0.05)

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

<i>in thousands of U.S. dollars</i>	as at Dec 31, 2024	as at March 31, 2024
Current Assets		
Cash	\$ 195	\$ 2,232
Trade and other receivables	514	445
Prepaid expenses and deposits	209	281
Total Current Assets	\$ 918	\$ 2,958
Total non-current assets	573	807
	\$ 1,492	\$ 3,765
Current liabilities		
Account payables and accrued liabilities	\$ 727	\$ 643
Deferred revenue	496	1,290
Deferred compensation	32	241
Current portion of lease liability	341	309
Total current liabilities	\$ 1,596	\$ 2,483
Credit facility	2,687	2,250
Lease liabilities	360	622
Total Liabilities	\$ 4,644	\$ 5,355
Shareholders' Equity	(3,152)	(1,590)
Total Liabilities and Shareholders' Equity	\$ 1,492	\$ 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, certain financing costs 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:

<u>Non-IFRS Net Income (Loss)</u> <i>in thousands of U.S. dollars except per share amounts</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, <u>2024</u>	Sept. 30, <u>2024</u>	Dec 31, <u>2023</u>	Dec 31, <u>2024</u>	Dec 31, <u>2023</u>
Net Loss for the period	(\$590)	(\$721)	(\$783)	(\$2,114)	(\$2,443)
<u>Adjustments:</u>					
Share-Based Payments	117	172	292	490	896
Depreciation	77	78	79	233	242
Amortization of credit facility fees	16	16	0	48	0
<u>Total Adjustments</u>	<u>210</u>	<u>266</u>	<u>343</u>	<u>770</u>	<u>1,110</u>
Non-IFRS Net Loss	(\$380)	(\$456)	(\$440)	(\$1,344)	(\$1,333)
Non-IFRS amount per share, basic and diluted:	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.03)

<u>Adjusted-EBITDA</u> <i>figures in U.S. dollars, thousands</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, <u>2024</u>	Sept 30, <u>2024</u>	Dec 31, <u>2023</u>	Dec 31, <u>2024</u>	Dec 31, <u>2023</u>
Operating Loss for the Period	(\$482)	(\$615)	(\$757)	(\$1,782)	(\$2,395)
<u>Add back (deduct)</u>					
Depreciation	77	78	79	233	242
<u>Share-Based Payments</u>	<u>117</u>	<u>172</u>	<u>292</u>	<u>490</u>	<u>896</u>
Adjusted EBITDA	(\$288)	(\$366)	(\$386)	(\$1,060)	(\$1,257)

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 salespeople;
- 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

<i>in thousands of U.S. dollars</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, 2024	Sept. 30, 2024	Dec 31, 2023	Dec 31, 2024	Dec 31, 2023
SaaS License (New and Renewals)	\$938	\$1,032	\$1,270	\$3,030	\$3,706
<u>Legacy (Hosting and Maintenance)</u>	<u>74</u>	<u>71</u>	<u>72</u>	<u>216</u>	<u>270</u>
Software Subscriptions and Service	\$1,011	\$1,103	\$1,342	\$3,246	\$3,976
Professional Services	281	174	127	573	573
Total Revenue	\$1,292	\$1,278	\$1,469	\$3,819	\$4,549

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.

Q3 Fiscal 2025 compared to Q3 Fiscal 2024

Revenues for Q3 Fiscal 2025 totaled \$1.29 million, a 12% decrease from \$1.47 million of revenue in Q3 Fiscal 2024, due to a decrease in our reported license revenue from expired licenses that were not renewed by two customers due to large scale reorganizations at each customer; as well as the impact from the Company opting to recognize a six-month recurring development and maintenance contract, paid in arrear at the end of Q3 Fiscal 2025 and subsequently renewed for another year, as professional services than a recurring license.

Q3 Fiscal 2025 compared to Q2 Fiscal 2025

Revenues for Q3 Fiscal 2025 totaled \$1.29 million, a 1% increase from \$1.28 million of revenue in Q2 Fiscal 2025, due to the offsetting impacts of the license non-renewals and the reallocation of that recurring professional services.

Fiscal 2025 YTD compared to Fiscal 2024 YTD

Revenue for the nine-month period ending December 31, 2024 was \$3.82 million which is a 16% decrease over the \$4.55 million for the nine-month period ending December 31, 2023, mainly due to the aforementioned non-renewals

While the Company does expect a continued revenue contribution from professional services, which is expected to rebound and grow in absolute dollars, professional services revenue is expected to remain as a lower percentage of total revenue and may 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:

	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31,	Sept 30,	Dec 31,	Dec 31,	Dec 31,
	<u>2024</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Customer A	37.7%	34.2%	38.3%	34.4%	37.1%
Customer B	12.8%	19.6%	28.1%	20.0%	30.6%
Customer C	10.1%	4.9%	2.8%	6.7%	0.9%
Top 5	75.0%	74.5%	81.5%	75.7%	82.0%
Top 10	89.1%	86.7%	90.3%	87.9%	91.0%

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:

	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
<i>thousands of U.S. dollars</i>	Dec 31,	Sept 30,	Dec 31,	Dec 31,	Dec 31,
	<u>2024</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenue	\$1,292	\$1,278	\$1,469	\$3,819	\$4,549
<u>Cost of Sales</u>	<u>150</u>	<u>145</u>	<u>160</u>	<u>446</u>	<u>467</u>
Gross Margin \$	<u>\$1,142</u>	<u>\$1,132</u>	<u>\$1,309</u>	<u>\$3,373</u>	<u>\$4,082</u>
Gross Margin %	88.4%	88.6%	89.1%	88.3%	89.7%

Gross margin is lower in Q3 2025 and Fiscal 2025 YTD than the comparative periods due to lower revenue level and slightly higher hosting expenses.

The Company expects gross margins to return to prior levels at or about 90% but expects gross margins to fluctuate by quarter. 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 plus adjusted operating expenses which exclude non-cash share-based compensation expenses, as a percentage of total revenue. The analysis following the table will primarily focus on the adjusted operating expenses for the respective periods.

<i>figures in U.S. dollars, thousands</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, <u>2024</u>	Sept 30, <u>2024</u>	Dec 31, <u>2023</u>	Dec 31, <u>2024</u>	Dec 31, <u>2023</u>
Total Operating Expenses*	\$1,624	\$1,748	\$2,066	\$5,155	\$6,477
Total Adjusted Operating Expenses**	\$1,430	\$1,498	\$1,695	\$4,433	\$5,339

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

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

Q3 Fiscal 2025 compared to Q3 Fiscal 2024

Total adjusted operating expenses in Q3 Fiscal 2025 of \$1.4 million was \$0.3 million lower than adjusted operating expenses of \$1.7 million for Q3 Fiscal 2024, due to \$0.3 million of lower salaries and benefits while slightly higher consulting expense were largely offset by a decrease in professional fees.

Q3 Fiscal 2025 compared to Q2 Fiscal 2025

Total adjusted operating expenses in Q3 Fiscal 2025 of \$1.4 million was \$0.1 million lower compared to Q2 Fiscal 2025 of \$1.5 million, in the prior quarter due to lower salaries and benefits while slightly higher consulting expense were largely offset by a decrease in professional fees

Fiscal 2025 YTD compared to Fiscal 2024 YTD

Total adjusted operating expenses for the nine-month period ending December 31, 2024 was \$4.4 million versus adjusted operating expenses of \$5.3 million for the nine-month period ending December 31, 2023. The \$0.9 million decrease was due to \$0.8 million of lower salaries and benefits, \$0.1 million lower general and administrative expenses, \$0.1 million of lower professional fees, partially offset by \$0.1 million of higher consulting fees.

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 (Income)

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.

<i>figures in U.S. dollars, thousands</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, <u>2024</u>	Sept 30, <u>2024</u>	Dec 31, <u>2023</u>	Dec 31, <u>2024</u>	Dec 31, <u>2023</u>
Imputed interest	19	21	26	62	48
<u>Interest on credit facility</u>	74	69	-	221	-
Other Expenses, net	<u>108</u>	<u>106</u>	<u>26</u>	<u>331</u>	<u>48</u>

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 \$(0.7) million at December 31, 2024 (including \$0.2 million of cash and \$0.4 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 nine-month period change is primarily from a \$2.0 million decrease in cash, a \$0.1 million increase in accounts payable and accrued liabilities, \$0.2 million of lower deferred compensation, \$0.1 million of lower prepaid expense, a \$0.1 million increase in trade and other receivables and a \$0.7 million decrease in the current liability for deferred revenue. It should be noted that deferred revenue of \$0.5 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. Working Capital (pro forma) reflects our net working capital without the impact of that deferred revenue amount. 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.

<i>in thousands of U.S. dollars</i>	as at Dec 31, <u>2024</u>	as at March 31, <u>2024</u>
Current Assets	\$ 918	\$ 2,958
Current Liabilities	<u>1,596</u>	<u>2,483</u>
Working Capital	\$ (678)	\$ 475
Deferred Revenue	<u>496</u>	<u>1,290</u>
Working Capital (pro forma)	\$ (182)	\$ 1,765

The Company expects working capital to increase 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: <i>in thousands of U.S. dollars</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, <u>2024</u>	Sept 30, <u>2024</u>	Dec 31, <u>2023</u>	Dec 31, <u>2024</u>	Dec 31, <u>2023</u>
Operating Activities	(\$369)	\$219	(\$731)	(\$1,939)	(\$2,111)
Investing Activities	0	0	(1)	0	(6)
Financing Activities	371	(295)	969	(97)	825
Net Inflows (outflows)	<u>\$2</u>	<u>(\$76)</u>	<u>\$237</u>	<u>(\$2,036)</u>	<u>(\$1,292)</u>

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 interest and financing fees. 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.

Q3 Fiscal 2025 compared to Q3 Fiscal 2024

During Q3 Fiscal 2025, cash used in operating activities was \$(0.37), a 50% improvement from versus cash usage of \$(0.73) million during Q3 Fiscal 2024. In addition to \$0.2 million of lower operating losses, the cash usage for the current quarter included \$0.1 million from a decrease in trade receivables, plus a \$0.4 million impact attributed to lower deferred revenue, and \$0.1 decrease in deferred compensation.

Q3 Fiscal 2025 compared to Q2 Fiscal 2025

During Q3 Fiscal 2025, cash used in operating activities was \$(0.37) million, which was \$0.6 million higher than the \$0.22 million of cash provided by operations in Q2 Fiscal 2025. Much of this difference in sequential cash usage came from \$0.2 million of lower operating losses of a \$0.4 million of lower deferred revenue, offset by \$0.2 million of trade payables and a \$0.1 million decrease in trade receivables.

Fiscal 2025 YTD compared to Fiscal 2024 YTD

For the nine-month period ending December 31, 2024, cash used in operating activities was \$(1.9) million, which was a 8% improvement versus \$(2.1) million for the nine-month period ending December 31, 2023. In addition to a \$0.6 million improvement in operating losses, the nine-month period of Fiscal 2025 saw \$0.2 million of higher trade payables and accrued liabilities, \$0.1 from prepayment, and \$0.7 million of deferred revenue offset by \$0.8 million of lower cash inflow from trade receivables and \$0.3 million of net deferred compensation payments versus the comparable nine-month period in Fiscal 2024.

Cash Flows Used in 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

Q3 Fiscal 2025 compared to Q3 Fiscal 2024

During Q3 Fiscal 2025, the net cash inflow from financing activities was \$0.4 million, with \$0.5 million of inflow from new funds drawn on the available credit facility against \$0.07 million of interest paid new credit facility and \$0.1

million of office lease payments, while the Q3 Fiscal 2024 inflow came from \$0.9 million of net proceeds from the issuance of units in the first tranche of the private placement net of issue costs, offset by minor office lease payments,

Q3 Fiscal 2025 compared to Q2 Fiscal 2025

During Q3 Fiscal 2025 net cash inflow from financing activities was \$0.4 million, while during Q2 Fiscal 2025 net cash used by financing of \$(0.3) million was due to \$0.15 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 nine-month period ending December 31, 2024, the net cash outflow from financing activity of \$(0.1) million was due to \$0.4 million of net funds from the credit facility debt, \$0.17 million of interest on the new credit facility and \$0.2 million of office lease payments, while for the nine-month period ending December 31, 2023, the net cash inflow from financing activities of \$0.8 million was due to \$0.9 million of net proceeds from the issuance of units, partially offset by \$0.1 of 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	-	810,810	500,000	2,671,300
Forfeited	-	-	(10,000)	-
Balance, December 31, 2024 and the date of this MD&A	55,622,576	8,730,153	885,000	8,358,875

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 December 31, 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 December 31, 2024, the contractual maturities of the Company's financial liabilities are as follows:

	Carrying amount	Contractual cash flows	Within 1 year	2 years	Thereafter
Accounts payable and accrued liabilities	726,881	726,881	726,881	—	—
Credit facility	2,687,069	2,826,879	—	—	2,826,879
Lease liability	701,685	775,561	97,701	399,494	278,366
Deferred compensation	31,832	31,832	31,832	—	—
	4,147,467	4,361,153	856,414	399,494	3,105,245

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 December 31, 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 December 31, 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.