

BOARDWALKTECH SOFTWARE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE MONTHS AND NINE MONTHS ENDED DECEMBER 31, 2022

DATED: FEBRUARY 22, 2023

This Management's Discussion and Analysis ("MD&A") for the three and nine months ended December 31, 2022 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, 2022 unaudited condensed interim consolidated financial statements and March 31, 2022 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 22, 2023, 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, 2023 is referred to as "current fiscal year", "Fiscal 2023" or similar words. The previous fiscal year, which ended on March 31, 2022, is referred to as "previous fiscal year", "Fiscal 2022" or similar words. The three-month quarter ended December 31, 2022 is referred to as "Q3 Fiscal 2023" and the previous three-month quarter ended September 30, 2022 is referred to as "Q2 Fiscal 2023" and the comparative three-month quarter ended December 31, 2021 is referred to as "Q3 Fiscal 2022".

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 and Indian Rupee, 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 2023 totaled \$1.84 million, up 74% from \$1.06 million of revenue in Q3 Fiscal 2022 and up 24% sequentially from \$1.48 million of revenue in Q2 Fiscal 2023. The portion of revenue from new and recurring SaaS licenses in Q3 Fiscal 2023 increased 129% year-over-year and up 9% sequentially due to higher revenue from incremental licenses executed with both new and existing customers. The 87% sequential increase in professional services revenue (29% of total Q3 Fiscal 2023 revenue) and resultant impact on total revenue was due to the timing of services work for new projects, reflecting the rebound from Q2 Fiscal 2023 levels that we projected last quarter. Approximately 71% of total revenue in Q3 Fiscal 2023 came from new and recurring software subscription licenses (SaaS licenses), up from 54% of total revenue in Q3 Fiscal 2022.

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. ARR at December 31, 2022 was \$5.8 million, a 90% year-over-year increase versus ARR of \$3.0 million at December 31, 2021.

Gross margin for Q3 Fiscal 2023 was 91.5%, up from Q2 Fiscal 2023's level of 90.3%, and up significantly from 86.8% in Q3 Fiscal 2022, primarily due to higher revenue levels and a higher contribution of revenue from recurring SaaS licenses.

The reported loss for Q3 Fiscal 2023 was \$(0.65) million, or \$(0.01) per basic and diluted share, versus a \$(1.08) million loss in Q3 Fiscal 2022, or \$(0.03) per basic and diluted share, and a \$(1.22) million loss in Q2 Fiscal 2023, or \$(0.03) per basic and diluted share. The 40% year-over year and 47% sequential improvements were primarily driven by higher revenue levels, even as the Company makes needed, even overdue, hiring to support current and future growth. Total adjusted operating expenses (excluding share-based payments and depreciation) in Q3 Fiscal 2023 were \$1.9 million, a \$0.1 million decrease from \$2.0 million in Q2 Fiscal 2023 but up \$0.5 million versus \$1.4 million in Q2 Fiscal 2023 due to the aforementioned hiring plus higher benefits expense related to wage inflation, and amortized teaming fees. Revenue growth did outpace expense increases which the Company intends to continue going forward.

Adjusted EBITDA for Q3 Fiscal 2023 was a loss of \$(0.24) million, a 52% improvement from the \$(0.50) million loss in Q3 Fiscal 2022 and a 64% sequential improvement from the \$(0.68) million loss in Q2 Fiscal 2023. This is the best EBITDA level since the Company went public, as it progresses towards and through breakeven profitability.

Non-IFRS net loss (as defined in Non-IFRS Financial Measures section) for Q3 Fiscal 2023 totaled \$(0.25) million, or \$(0.01) per basic and diluted share, a 51% improvement versus the \$(0.70) million non-IFRS loss in Q3 Fiscal 2022, or \$(0.02) per basic and diluted share, and 64% improvement versus a \$(0.52) million non-IFRS loss in Q2 Fiscal 2023, \$(0.01) per basic and diluted share. These year-over-year and sequential improvements in non-IFRS and adjusted EBITDA losses reflect operating leverage from higher revenue levels that outpaced controlled spending increases.

OUTLOOK

Update on Guidance for Fiscal Year 2023:

The Company's revenue is tracking towards the mid to high end of its prior \$6.5 million to \$7.0 million guidance range (which would be 60% year-over-year growth). As discussed in prior quarters, the Company has opted to take a conservative approach in its public projections, due to quarterly fluctuations in professional services revenue experienced the last two quarters. As evidenced by announcements in the quarter, the Company continues to execute on its "land and expand" strategy, as over 95% of the incremental growth in this guidance is expected from recurring license revenue. Despite witnessing some revenue contracts expected in late Q3 Fiscal 2023 being deferred into Q4 Fiscal 2023, the Company expects momentum on the conversion of new deals in our sales pipeline to pick back up.

Based on management's projections and market conditions, the Company continues to project that it has sufficient funds and resources such that it does not need to raise additional equity to achieve its current guidance, though the Company believes it could grow faster with additional growth equity.

Since the Company implemented its SaaS business model in 2018, total revenue from new contracts signed since 2018 comprised approximately 87% of total revenue in Q3 Fiscal 2023, compared to 78% in the prior year, expanding at a 42% compound annual growth rate ("CAGR") over the last three years. More importantly, recurring revenue from new SaaS licenses (signed since 2018) has grown at a 55% CAGR over the last years.

Even factoring in the conversion of deals from its pipeline, the Company has seen new deals added to its sales pipeline, in excess of \$7 million, along with the addition of new teaming partners targeted at the financial services market for our Velocity product offering. As a reminder, when economic uncertainty hit in the beginning of the COVID pandemic, the Company actually saw its pipeline double, in large part because prospective customers realized that their prior IT investments were good but not good enough to address supply chain issues and increase productivity in the manner that the Boardwalk Digital Ledger platform could deliver. We believe ESG challenges are an extension of those supply chain issues, with prospective clients needing better data management for tracking, serialization, and audit trails to execute ESG strategies. The Company also believes supply chain visibility will be a major area of focus in the near future with several new opportunities where the Boardwalk Digital Ledger platform can uniquely provide a method to improve decision making by tracking and correlating items, and the trails they leave, as they progress and change to enhance visibility across and within that supply chain ecosystem. While the Company is seeing a similar positive trend, it does recognize that the timing of closings does fluctuate. Further, the Company's pipeline only includes bottoms-up deals that have an identified project for each customer with target closing and factored contribution, based solely upon expected revenue in the first year that a contract closes, not over the economic life of the engagement. In addition, while the new opportunities in the banking and financial services markets are large, the Company has only included two near-term deals, rather than all prospects - to avoid inflating the pipeline (and expectations) with the recognition that this market might have larger than average sales cycles. We believe the breadth and size of that pipeline reflects these prospective customers' demand and need for our time-based digital ledger platform by enterprises struggling with managing structured and unstructured data in their supply chain, compliance, tracking, security, and real-time accurate decision making, while still maintaining data quality and provenance.

Subsequent events:

In January 2023, the Company issued 301,260 common shares on the exercise of 301,260 common share warrants for gross cash proceeds of approximately \$156,072 (CAD 210,882).

In January and February 2023, 675,049 common share warrants exercisable at CAD 0.70 and 7,913,125 common share warrants exercisable at CAD 0.90 expired.

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, 2022 and December 31, 2021. The selected financial information was prepared in accordance with IAS 34 in a manner consistent with the Company's annual financial statements. The following information should be read in conjunction with these statements and the accompanying notes.

<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, 2022	Sept 30, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Revenue	\$1,836	\$1,482	\$1,056	\$4,823	\$3,177
Cost of sales	155	143	139	446	442
Gross Profit	\$1,681	\$1,339	\$917	\$4,376	\$2,735
SG&A expenses *	\$1,923	\$2,022	\$1,419	\$5,558	\$4,210
Share-based payments	309	443	491	1,247	763
Depreciation	86	87	73	259	216
Operating Income/(Loss)	(638)	(1,213)	(1,066)	(2,688)	(2,453)
Imputed interest, rent concessions	9	12	16	35	(2)
Loss for the period	(\$647)	(\$1,224)	(\$1,082)	(\$2,723)	(\$2,451)
Loss per share, basic and diluted	(\$0.01)	(\$0.03)	(\$0.03)	(\$0.06)	(\$0.06)

* SG&A expenses: comprised of salaries, wages and benefits, professional fees, general and administrative (including teaming fees), and consulting.

<i>in thousands of U.S. dollars</i>	as at Dec 31, 2022	as at March 31, 2022
Current assets		
Cash	\$ 373	\$ 869
Trade and other receivables	1,060	2,515
Prepaid expenses and deposits	168	153
Total current assets	\$ 1,600	\$ 3,537
Total non-current assets	198	449
Total assets	\$ 1,799	\$ 3,986
Current liabilities		
Account payables and accrued liabilities	\$ 918	\$ 412
Deferred revenue	1,237	2,647
Current portion of lease liability	225	374
Total current liabilities	\$ 2,380	\$ 3,432
Lease liabilities	-	128
Total Liabilities	\$ 2,380	\$ 3,560
Shareholders' Equity	\$ (581)	\$ 426
Total Liabilities and Shareholders' Equity	\$ 1,799	\$ 3,986

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 expenditure 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>2022</u>	Sept. 30, <u>2022</u>	Dec 31, <u>2021</u>	Dec 31, <u>2022</u>	Dec 31, <u>2021</u>
Net Loss for the period	(\$647)	(\$1,224)	(\$1,082)	(\$2,723)	(\$2,451)
<u>Adjustments:</u>					
Share-Based Payments	309	443	491	1,247	763
Depreciation	86	87	73	259	216
Rent concessions	0	0	0	0	(57)
<u>Total Adjustments</u>	<u>395</u>	<u>529</u>	<u>564</u>	<u>1,506</u>	<u>922</u>
Non-IFRS Net Loss	(\$252)	(\$695)	(\$518)	(\$1,217)	(\$1,529)
Non-IFRS amount per share, basic and diluted:	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.03)	(\$0.04)

<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>2022</u>	Sept 30, <u>2022</u>	Dec 31, <u>2021</u>	Dec 31, <u>2022</u>	Dec 31, <u>2021</u>
Operating Loss for the Period	(\$638)	(\$1,213)	(\$1,066)	(\$2,688)	(\$2,453)
<u>Add back (deduct)</u>					
Depreciation	86	87	73	259	216
<u>Share-Based Payments</u>	<u>309</u>	<u>443</u>	<u>491</u>	<u>1,247</u>	<u>763</u>
Adjusted EBITDA	(\$243)	(\$683)	(\$502)	(\$1,182)	(\$1,474)

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 70 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 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.

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 specifically focused on digital AI and Machine Learning
- extending our digital ledger technology into an end-to-end operating system solution.

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); and,
- Boardwalk Velocity 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, <u>2022</u>	Sept 30, <u>2022</u>	Dec 31, <u>2021</u>	Dec 31, <u>2022</u>	Dec 31, <u>2021</u>
SaaS License (New and Renewals)	\$1,204	\$1,093	\$484	\$3,292	\$1,509
<u>Legacy (Hosting and Maintenance)</u>	108	109	89	310	256
Software Subscriptions and Service	\$1,311	\$1,202	\$573	\$3,602	\$1,765
Professional Services	525	280	483	1,221	1,412
Total Revenue	\$1,836	\$1,482	\$1,056	\$4,823	\$3,177

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 2023 compared to Q3 Fiscal 2022

Revenues for Q3 Fiscal 2023 totaled \$1.84 million, a 74% increase from \$1.06 million of revenue in Q3 Fiscal 2022, driven by a doubling of SaaS license revenue, up 129%, with a 9% increase in professional services revenue.

Q3 Fiscal 2023 compared to Q2 Fiscal 2023

Revenues for Q3 Fiscal 2023 totaled \$1.84 million, a 24% increase from \$1.48 million of revenue in Q2 Fiscal 2023, due primarily to a 9% increase in SaaS license revenue and an expected rebound in professional services revenue, up 87% due to the timing of when project milestones are closed and accepted.

Fiscal 2023 YTD compared to Fiscal 2022 YTD

Revenue for the nine-month period ending December 31, 2022 was \$4.8 million which is a 52% increase over the \$3.2 million for the nine-month period ending December 31, 2021. While year-to-date revenue for professional services decreased 14%, this was more than offset by 104% increase in recurring revenue from SaaS license and services

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>2022</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Customer A	28.1%	36.3%	44.6%	32.7%	42.2%
Customer B	23.8%	29.5%	0.0%	27.2%	0.0%
Customer C	21.8%	0.1%	0.0%	8.3%	3.9%
Customer D	4.0%	5.0%	19.4%	6.0%	9.8%
Top 5	80.5%	77.4%	78.3%	80.1%	71.2%
Top 10	90.0%	87.4%	89.5%	89.7%	86.2%

The addition of a new material customer in this quarter is a reflection of the Company’ “land and expand” strategy, as this customer has added a new application and license. 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>2022</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	\$1,836	\$1,482	\$1,056	\$4,823	\$3,177
<u>Cost of Sales</u>	<u>155</u>	<u>143</u>	<u>139</u>	<u>446</u>	<u>442</u>
Gross Margin \$	<u>\$1,681</u>	<u>\$1,339</u>	<u>\$917</u>	<u>\$4,376</u>	<u>\$2,735</u>
Gross Margin %	91.5%	90.3%	86.8%	90.7%	86.1%

Q3 Fiscal 2023 compared to Q3 Fiscal 2022

Gross margin for Q3 Fiscal 2023 was 91.5%, a 4.7%-point increase from Q3 Fiscal 2022 level of 86.8%, due to both higher revenue levels and a higher mix of recurring revenue licenses from new and existing customers.

Q3 Fiscal 2023 compared to Q2 Fiscal 2023

Gross margin for Q3 Fiscal 2023 was 91.5%, a 1.2%-point increase from Q2 Fiscal 2023 level of 90.3%, due to higher revenue levels in the current quarter.

Fiscal 2023 YTD compared to Fiscal 2022 YTD

Gross margin for the nine-month period ending December 31, 2022 was 90.7% compared to 86.71 for the nine-month period ending December 31, 2021, due to both higher revenue levels and a higher mix of recurring revenue licenses from new and existing customers.

Gross margin improvements were all due to higher revenue levels and previously projected economies of scale. The Company intends to make higher investments with its hosting sub-processor that may limit similar gross margin improvement near-term even as revenue continues to grow, but expects these investments to support further growth, while improving both customer services and reducing costs over the next 18 months. That said, our gross margins in future quarters but may fluctuate period-to-period due to a variety of factors, including the average prices of our products and services, our product mix, the timing and pass-through of cost reductions to our customers.

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>2022</u>	Sept 30, <u>2021</u>	Dec 31, <u>2021</u>	Dec 31, <u>2022</u>	Dec 31, <u>2021</u>
Total Operating Expenses**	\$2,319	\$2,551	\$1,982	\$7,064	\$5,189
Total Adjusted Operating Expenses*	\$1,923	\$2,022	\$1,419	\$5,558	\$4,210

* *adjusted Operating Expenses exclude non-cash share-based payment expenses and depreciation*

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

Q3 Fiscal 2023 compared to Q3 Fiscal 2022

Total adjusted operating expenses in Q3 Fiscal 2023 of \$1.9 million was \$0.5 million higher than adjusted operating expenses for Q3 Fiscal 2022, due to \$0.2 million of higher salaries for new hires (needed ahead of new projects) and an increase in base salaries for existing employees to account for wage inflation, \$0.1 million of higher contractor fees, plus \$0.2 million of higher general & administrative expenses that included \$0.2 million of amortization of revenue contract costs ("teaming fees"). In connection with certain new revenue contracts, via teaming agreements with channel partners, the Company incurred incremental costs to obtain such contracts. When revenue contract costs become payable, they are amortized to marketing costs over the remaining term of the related license period.

Q3 Fiscal 2023 compared to Q2 Fiscal 2023

Total adjusted operating expenses in Q3 Fiscal 2023 of \$1.9 million was \$0.1 million lower than adjusted operating expenses of \$2.0 million in Q2 Fiscal 2023, as all expense categories were essentially flat with levels in prior quarter.

Fiscal 2023 YTD compared to Fiscal 2022 YTD

Total adjusted operating expenses for the nine-month period ending December 31, 2022 was \$5.6 million versus adjusted operating expenses of \$4.2 million for the nine-month period ending December 31, 2021. The \$1.4 million increase was due to \$0.5 million of higher net salary and benefits expenses, plus \$0.5 million of higher general and administrative expenses (of which \$0.4 million was attributed to teaming fees), \$0.2 million of higher contractor fees (half of whom turned into full time employees), and \$0.1 million of higher professional services fees.

The Company plans to selectively expand the size of our sales and marketing operations through additional expenditures and new hires, in order to support additional customers and close opportunities in our sales pipeline as we continue to expand into existing and new markets. Overall, we expect our SG&A expenses to increase in absolute dollars, but in the longer term to 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, although the timing of that impact lag may vary by markets.

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 of percentage of total revenue.

Other Expenses (Income)

The breakdown of other income and expense is as follows:

<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>2022</u>	Sept 30, <u>2022</u>	Dec 31, <u>2021</u>	Dec 31, <u>2022</u>	Dec 31, <u>2021</u>
Imputed interest	\$9	\$12	\$16	\$35	\$55
Rent concessions	-	-	-	-	(57)
Other Expenses, net	<u>\$9</u>	<u>\$12</u>	<u>\$16</u>	<u>\$35</u>	<u>\$55</u>

Imputed interest was lower in Q3 Fiscal 2023 than in Q2 Fiscal 2023 and Q3 Fiscal 2022 due to the passage of time over the lease term. Rent concessions reported in the nine-months ended December 31, 2021 were in respect of temporary COVID-19 related 50% reductions of base rent payments during the beginning of Fiscal 2022.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash

As at December 31, 2022, the Company's reported cash balance was \$0.4 million, compared to \$0.9 million as at March 31, 2022.

Working capital

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance as at December 31, 2022 was \$(0.8) million, down from \$0.1 million as at March 31, 2022, but an improvement from the prior quarter. The nine-month period change is primarily from a \$0.5 million increase in accounts payable and accrued liabilities and a \$1.5 million decrease in trade and other receivables from the collection of invoiced licenses, plus other new and renewal licenses; which in turn contributed to a \$1.4 million increase in deferred revenue. It should be noted that deferred revenue reflects new and recurring licenses that are contractually non-refundable at the beginning of each term, then recognized over the license term (amortizing the deferred revenue down), versus a liability expected to be paid in cash.

<i>in thousands of U.S. dollars</i>	as at Dec 31, <u>2022</u>	as at March 31, <u>2022</u>
Current Assets	\$ 1,600	\$ 3,537
Current Liabilities	<u>2,380</u>	<u>3,432</u>
Working Capital	\$ (780)	\$ 105

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>2022</u>	Sept 30, <u>2022</u>	Dec 31, <u>2021</u>	Dec 31, <u>2022</u>	Dec 31, <u>2021</u>
Operating Activities	(\$1,339)	(\$254)	(\$912)	(\$637)	(\$1,945)
Investing Activities	(4)	(5)	(8)	(13)	(21)
Financing Activities	322	(65)	(39)	156	130
Net Inflows (outflows)	<u>(\$1,021)</u>	<u>(\$323)</u>	<u>(\$959)</u>	<u>(\$494)</u>	<u>(\$1,835)</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 2023 compared to Q3 Fiscal 2022

During Q3 Fiscal 2023, net cash usage from operating activities was \$(1.3) million versus cash usage of \$(0.9) million during Q3 Fiscal 2022. In addition to Adjusted EBITDA operating losses of \$(0.2) million, the cash usage for the current quarter also included \$0.3 million from an increase in trade receivables, \$1.0 million attributed to deferred revenue, offset slightly by \$0.3 million of trade payables. Share-based payments were \$0.2 million lower than Q3 Fiscal 2022 due to the vesting of restricted share units.

Q3 Fiscal 2023 compared to Q2 Fiscal 2023

During Q3 Fiscal 2023, net cash usage from operating activities was \$(1.3) million, which was \$1.0 million higher than the \$(0.3) million of net cash usage from operations in Q2 Fiscal 2023. Much of this difference in sequential cash usage came from a \$0.3 million increase in trade receivables, \$1.0 million of lower deferred revenue, offset by \$0.3 million of trade payables.

Fiscal 2023 YTD compared to Fiscal 2022 YTD

For the nine-month period ending December 31, 2022, net cash usage from operating activities was \$(0.5) million versus \$(1.8) million for the nine-month period ending December 31, 2021. In addition to a \$0.3 million improvement in Adjusted EBITDA losses, the nine-month period of Fiscal 2023 saw lower cash usage from \$0.6 million of higher trade payables and accrued liabilities (teaming fees) to improve the Company's balance sheet, plus \$1.8 of higher cash inflow from trade receivables that offset \$1.5 million of deferred revenue versus the comparable nine-month period in Fiscal 2022.

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 \$0.1 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 2023 compared to Q3 Fiscal 2022

During Q3 Fiscal 2023, cash inflow from financing activities was \$0.32 million versus an outflow of \$(0.04) million during Q3 Fiscal 2022. The Q3 Fiscal 2023 inflow came from \$0.43 million of proceeds from exercised common stock warrants offset by \$0.1 million of office lease payments, versus Q3 Fiscal 2022 which saw \$0.05 million of proceeds from exercised common stock warrants, offset by \$0.09 million of office lease payments.

Q3 Fiscal 2023 compared to Q2 Fiscal 2023

During Q3 Fiscal 2023, cash inflow from financing activities was \$0.32 million versus an outflow of \$(0.07) million in Q2 Fiscal 2023. The Q3 Fiscal 2023 inflow came from \$0.43 million of proceeds from exercised common stock warrants offset by \$0.1 million of office lease payments, compared to \$0.04 million of warrant proceeds offset by \$0.1 million of office lease payments in Q2 Fiscal 2023.

Fiscal 2023 YTD compared to Fiscal 2022 YTD

For the nine-month period ending December 31, 2022, net cash inflows from financing activities was \$0.16 million versus \$0.13 million of net cash inflows from financing activities for the nine-month period ending December 31, 2021. Fiscal 2023 period saw \$0.46 million of proceeds from exercised common stock warrants offset by \$0.31 million of office lease payment, versus \$0.33 million of proceeds from exercised common stock warrants offset by \$0.20 million of office lease payments.

Share Capital

	Common shares	Common share warrants	Stock options	Restricted share units
Balance, March 31, 2022	42,558,809	12,768,125	818,915	6,095,817
Converted	4,296,533	-	-	(4,296,533)
Exercised	944,396	(944,396)	-	-
Granted	-	-	-	1,994,000
Forfeited	-	-	-	(48,834)
Expired	-	(2,614,755)	-	-
Balance, December 31, 2022	47,799,738	9,208,974	818,915	3,744,450
Exercised	301,260	(301,260)	-	-
Expired	-	(8,588,174)	-	-
Balance, date of this MD&A	48,100,998	319,540	818,915	3,744,450

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

Boardwalk's activities expose it to a variety of financial risks. Boardwalk is exposed to credit risk and liquidity risk because of holding certain financial instruments. Boardwalk is not exposed to significant market risk (currency, interest rate, or other) as it does not hold financial instruments that expose Boardwalk to market risk. Boardwalk's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Boardwalk's financial performance.

Risk management is carried out by senior management, in particular, the board of directors of Boardwalk.

Fair Value

Boardwalk's financial instruments consist of cash, trade and other receivables, accounts payables and accrued liabilities, term loan, lease liability and forgivable loan. The carrying amounts of the current financial instrument items approximate their fair value due to their short period to maturity. The carrying amount of long-term financial instrument items approximate their fair value due to market determined interest and discount rates. As at December 31, 2022, the Company measured all of its financial instruments at amortized cost.

Market Risk and Foreign Currency risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise these types of risk: interest rate risk, currency risk, commodity price risk

and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. However, the Company's exposure to the risk of changes in market interest rates is minimal given that the Company has no bank debt obligations with floating interest rates.

Credit risk

Credit risk is the risk that 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 insure 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.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the nine-months ended December 31, 2022 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 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. We regularly evaluate our estimates and assumptions related to revenue recognition, accounts receivable, share-based transaction expense, and warrant liability. We base our estimates and assumption on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenues, costs and expenses that are not readily apparent from other sources. 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.

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

Expected credit losses

The Company's trade and other receivables are typically short-term in nature, as payment for License and Software Service Agreements is prepaid at the beginning of the license term, and the Company recognizes an amount equal to the lifetime ECL based on a probability-weighted matrix. The Company measures loss allowances based customer-specific factors, historical default rates and forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

Revenue recognition

Where the outcome of performance obligations for contracts can be estimated reliably, revenue is recognized. The Company recognizes revenue when obligations have been satisfied and, where such provisions exist, the Company does not begin revenue recognition for license subscriptions that have conditional or trial periods until such periods expire. Where the outcome of performance obligations for sales contracts cannot be reliably measured, contract revenue is recognized in the current year to the extent that costs have been incurred until such time that the outcome of the performance obligations can be reasonably measured. Significant estimation assumptions are required to estimate total contract costs, which are recognized as expenses in the year in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Leases

Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards granted as common share warrants and stock options requires estimate as to the appropriate valuation model (Black-Scholes pricing model) and the inputs for the model require assumptions including the rate of forfeiture of warrants or options granted, the expected life of the warrant or option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends. RSUs are valued based on the market price of the Company's shares at the time of grant.

Deferred taxes

Deferred taxes are based on estimates as to the timing of the reversal of temporary and taxable differences, substantively enacted tax rates and the likelihood of assets being realized.

Judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Company must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the Company has one CGU.

Leases

The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

Going concern

The going concern assessment requires management's judgment on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing to increase the number of licensed customers and continue with expansion in the digital ledger market.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

New standards, interpretations and amendments adopted by the Company

The accounting policies followed in the Company's unaudited condensed interim consolidated financial statements are consistent with those used to prepare the annual consolidated financial statements for the year ended March 31, 2022. The Company did not adopt any new standards, interpretations or amendments during the nine months ended December 31, 2022.